

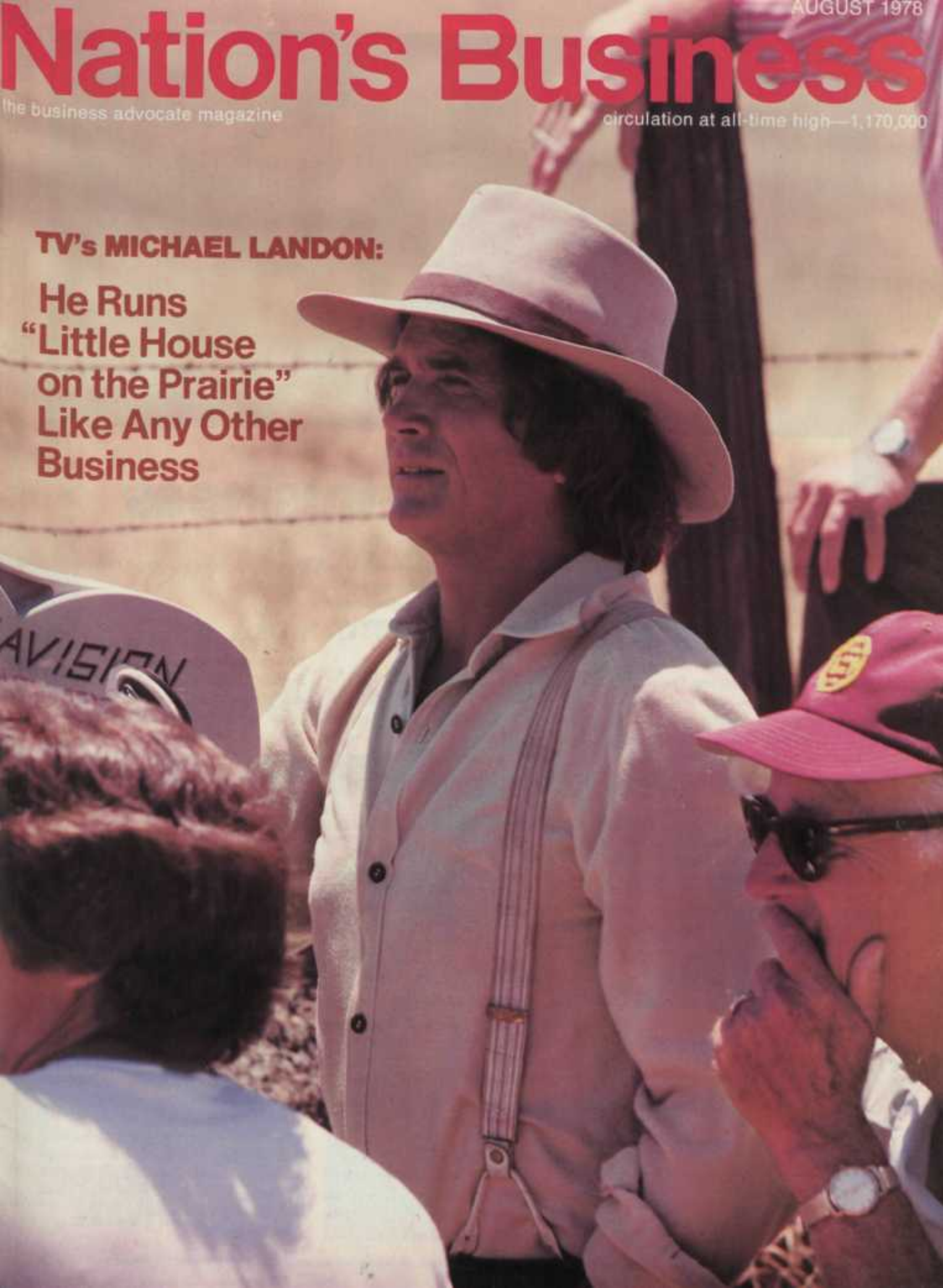
# Nation's Business

the business advocate magazine

circulation at all-time high—1,170,000

**TV's MICHAEL LANDON:**

**He Runs  
"Little House  
on the Prairie"  
Like Any Other  
Business**





# Energy Is Your Business

Energy is the most critical problem facing business and the nation in the decade ahead. Business has an obligation to develop a better understanding of this problem. To help, the National Chamber has developed and tested a six-part legislative/education action program. The program is designed to show what is at stake and demonstrate the need for positive action by our legislators—local, state, and national—to improve the energy situation.

The six-part program consists of discussion leader's guides, 35mm slides, scripts, cassettes, testing materials, and evaluation worksheets. The six subjects covered are:



## PART I

**"Energy Is Your Business"**—An overview of the entire range of energy problems showing the need for citizen involvement and understanding.



## PART II

**"Coal: A Common Sense Answer"**—We have enough coal to see us through the nation's tricentennial and beyond. Yet coal now provides only 20 percent of our energy needs.



## PART III

**"Oil: An Essential Energy Source"**—Much is being done and much more needs to be done to increase the domestic production of oil. However, we as a nation actually are tying up production.



## PART IV

**"Natural Gas: The Burning Spring"**—A free market for new natural gas means more investment and new drilling. We must allow for development of our re-

sources if we are to continue to grow and create jobs.



## PART V

**"Nuclear Power: A Passport to the Future"**—Even after having nuclear energy at work in our country for about 20 years, too few Americans appreciate its worth and its reliability. Its contribution must be understood if future energy needs are to be met.



## PART VI

**"The Political Answers"**—The United States desperately needs a national energy policy—a coordinated effort to conserve and a maximum effort to explore and develop energy sources. To meet this vital need, actions must be taken in government at the local, state, and national levels.

Set up this legislative/education action program within your own organization by using the "ENERGY IS YOUR BUSINESS" visual communications program. Every company and organization should become involved in this effort to educate and take action in order to bring about meaningful legislation which can improve the energy situation. Order your visual communications kit today.

Mr. Robert Moxley,  
Project Director (202/659-6183)  
Chamber of Commerce  
of the United States  
1615 H Street N.W.  
Washington, D.C. 20062

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helping pay  
for it."**

—Anon.



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Arson fires cost over \$1 billion last year. Who pays for this billion dollar bonfire? We *all* do.

When somebody decides to put a match to his business it is tough to prove. When arson for profit can't be proven, the insurance company has no choice but to pay. All of us contribute to these soaring damage claims by paying more for our own property insurance. Because insurance is merely sharing a risk among many.

What can you do about it?

Help to have arson classified as a major crime. One with the same high priority for prosecution as robbery.

Push for uniform state laws on reporting, detection and investigation. Laws that would make arson harder to get away with. (Over 20% of all fires are thought to be arson, yet only 1%-3% of confirmed arson cases result in conviction.)

Work for programs to improve investigation techniques and cooperation among fire fighters, police officers and insurance investigators.

Write to state officials.

Tell insurance commissioners, police and fire department officials that you would like to see some changes made.

Put pressure on local prosecutors and encourage them to get involved.

Let people know you've had enough. Send for our "Enough is Enough" consumer booklet. It's full of information on the causes and the pro's and con's of some possible cures for high insurance rates. You'll find out how to register your views where they count. And how you can help hold down your own insurance costs.

Or you can just do nothing and figure the problem will go away. Of course, if it doesn't, better keep your checkbook handy.

## Enough is Enough

Write The St. Paul for your "Enough is Enough" booklet. Or contact an Independent Agent or broker representing The St. Paul. He's in this with you and wants to help. You'll find him in the Yellow Pages.

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# Nation's Business

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Nation's Business is the business advocate magazine leading the effort to strengthen the private enterprise system to advance human progress.

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"I like the taste of a good cigarette  
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# With all you've got to do, why worry about routine housekeeping chores?

No matter what your business, good housekeeping is vital in maintaining a productive environment. But there must be days when you wish it could just happen without you worrying about it.

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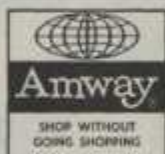
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# The Nation's Business

# WASHINGTON LETTER

► **MAKE NO DRASTIC, SUDDEN CHANGES** in your affirmative action program.

That's advice from National Chamber Litigation Center in wake of celebrated Supreme Court judgment on Allan Bakke's suit against University of California at Davis Medical School.

Litigation Center was involved in case as friend of court.

Here's how court judgment shapes up: Consider race but do not use race as sole criterion.

Now, litigation begins. Number of years may expire before dust settles.

Very confusing time.

► **BASIS OF JUDGMENT** by Supreme Court is Title VI of Civil Rights Act.

Title VI involves programs which get federal funding assistance.

Question now is how high court action affects Title VII, which affects you as employers.

**NOTE:** It is unlawful for employers who normally have 15 or more workers to discriminate on basis of race, color, sex, religion, or national origin.

That's Title VII.

► **DANGER AREA**, in wake of judgment on Bakke case, seems to be in setting quotas to hire minorities with race as sole criterion.

This especially so when affirmative action program not set up to right past wrongs.

Arbitrary affirmative action programs that use strict quotas now may be in trouble. But if your program was ordered by a court, suggest you not make any changes—at least until you check with proper legal authorities.

Best advice?

National Chamber Litigation Center suggests you check with attorney who has

equal employment opportunity background before you make any changes in your program.

► **FISCAL 79 SPENDING OUTLOOK** for federal agencies will be decided, in part, next month when Congress votes on budget resolution.

Under law, final budget resolution must be enacted by Sept. 30.

Budget-resolution process fairly new, beginning in 1975, and total spending by federal agencies cannot exceed overall spending ceiling set by Congress.

But that's theory, and much can happen.

**Example:** Budget resolution based on best estimates for federal receipts and expenditures.

If recession hits, Americans will be laid off, thus cutting taxes paid to Uncle Sam. Further, many of those laid off will increase federal outlays via welfare-type programs and unemployment insurance payments.

Tax receipts drop; outlays go up.

Result? Bigger deficit.

**ITEM:** Growing number of economists predict recession very possible early next year. They say slowdown coming by Christmas, then recession moving in after New Year.

► **PLANNING TO EXPAND** your business to Western Europe?

Could be profitable.

**Consider:** U. S. firms received \$1.4 billion via European incentive programs in one recent year. Incentives can improve profitability of your firm. They are available.

But you need to know where to go, who to contact.

"Investment Incentive Programs in Western Europe" answers such questions



and more. The 450-page, loose-leaf book tells what kind of incentives are offered--via both federal, local governments--in 18 European countries. It also talks about where to put your operation, what to expect, how to get the best breaks.

Book is available this month. Cost: \$95 each. Order from National Chamber International Division.

## ► DIFFERENT TWIST FOR NEWSLETTER.

Many newsletters Washington-based, telling Americans what's going on in their capital.

But Ada Report, of Ada, Mich., billed itself in premiere issue last month as newsletter "that sends a message to Washington every month telling them how it is out here in Ada."

The "them" are the President and members of Congress.

It also awards a baked pretzel, with first going to U. S. Postal Service's Board of Governors for recent increase in postal rates.

"The most recent increase in prices means we have reached a new plateau in postal service. Now, for every first-class letter, it will cost you eight cents for delivery and seven cents for storage," reads award.

## ► UNIONS LOSING CLOUT?

Some are, but others are growing--by a lot.

We talked with people at AFL-CIO, looked at their statistics.

Some branches of AFL-CIO dropping in members--that's a fact. But when you look at which branches, you see many involve industries with declining work forces.

## ► UNION MEMBERSHIP IN TRANSITION.

While some unions losing members, look at these figures:

American Federation of Teachers had 40,000 members in 1955 when AFL and CIO merged. Last year: 420,000 members.

Service Employees International had 205,000 members in 1955. Last year: more than 500,000.

American Federation of State, County, and Municipal Employees in 1955 had

99,000 members. In 1977, membership had grown to 750,000. Last April, this union merged with Civil Service Employees Association of New York, bringing total membership to more than one million.

AFSCME now largest in AFL-CIO.

Statistics give idea of where unions going, where they may have more clout tomorrow.

## ► LOOK FOR TAX CUTS from Congress in next few months, business and personal.

Number of measures very active now.

One gaining momentum would cut both individual and corporate tax rates. It's called Roth-Kemp bill, named for Sen. William V. Roth, Jr. (R.-Del.) and Rep. Jack F. Kemp (R.-N. Y.) who introduced measure.

Another bill with possibilities would roll back capital gains tax. It was introduced by Rep. William A. Steiger (R.-Wis.). Companion bill in Senate introduced by Sen. Clifford P. Hansen (R.-Wyo.).

Experts tell us Congress will enact some form of tax-reduction legislation.

Big question, however, centers on President Carter. He has indicated if legislation not to his liking, he may exercise veto.

NOTE: Congress has targeted October for adjournment.

## ► TAXPAYER OUTCRY ALIVE, WELL, KICKING.

Petitions by taxpayer groups to cut taxes circulating in several states. But efforts now appear more balanced than California's Proposition 13, which went after property taxes only.

Coloradans--via successful petition drive--will vote in November on whether state expenditures can climb above increase in consumer price index.

ITEM: Congressional Budget Office says reduction in California property taxes will be so large--\$7 billion--that U. S. inflation rate will be cut slightly over next two years.

But congressional study says tax cuts in the states could impact negatively on growth of U. S. economy. It depends on what state, local governments do with billions of dollars in surplus.



## Monthly Report Cards for Legislators?

Any time you complain to your legislative representatives at any level of government about the high cost of government and the bureaucratic intrusion on the rights of all individuals and business, you get complete agreement. Then they go back to the seats of government and do the same thing that politicians have been doing for years to create this mess we are in.

It seems to me that a start on the solution to this problem is to require every legislative representative at all levels of government to submit a monthly report card to the voters. The report card would require a simple listing, with no rhetoric, in response to four simple statements:

- The following is a list of actions that I have taken this month to reduce the cost of government.

- The following is a list of actions that I have taken this month that will increase the cost of government.

- The following is a list of actions I have taken this month to eliminate or reduce the governmental intrusions on the rights and privileges of my constituents.

- The following is a list of actions I have taken this month that will add to the governmental intrusions on the rights and privileges of my constituents.

This would permit the voter to keep a simple score and decide at election time whether the incumbent should be returned or not. It would also force representatives to review their legislative actions. It would be interesting to see how they interpret their actions.

B. C. SPENCER  
President,  
Bancroft-Whitney Co.  
San Francisco, Calif.

### Sheep and shepherds

Everything James J. Kilpatrick says about regulation getting worse ["Why Regulation Is Bound to Get Worse," June] is probably understated. His shepherd and sheep analogy to the regulators and the regulated is most apt. But let us not forget that the sheep elected the legislators who passed the

laws creating the jobs for the shepherds.

Presumably, the sheep could elect new legislators who could repeal the laws and permit the sheep to shed their domesticity and return to the independence of the wild. Unfortunately, this is not going to happen.

Thanks to the federal welfare state begun in 1932 and egalitarian legislation that permits everyone capable of respiration to vote, the nonproductive sheep now outnumber the productive at the polls. The nonproductive require feeding, nurturing, and protection by the shepherds. The nonproductive will vote to sustain the shepherds. Then too, the shepherds themselves now constitute a significant voting bloc.

George Bernard Shaw put it best in his "Handbook for the Revolutionary." He said: "If we give the Yahoo the vote, he will wreck the Commonwealth." We have, and he is.

ROBERT F. BOGAN  
Edmond, Okla.

### Posy from a pastor

While I do not always find your point of view agreeable, I always find the articles stimulating and often inspiring. You are even (at times) quoted when it's my turn to stand and speak to my people.

Thanks for your part in helping to keep our great nation moving ahead.

REV. KENNETH T. WILLIAMS  
Pastor  
Radnor United Methodist Church  
Rosemont, Pa.

### Senate deafness

In the June issue a letter to the editor expressed dismay that there has been no murmur of protest or dissent from the American businessman on the Panama Canal giveaway. I have great faith in the common sense of the American businessman and the American people, but I wonder what purpose dissent would serve.

Senators received literally thousands of letters, telegrams, and telephone calls protesting the canal



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giveaway. They were cognizant of many national polls which indicated the American people were overwhelmingly against the canal giveaway. Despite all the protest and polls, they ratified the treaties.

No protest was heard, I suspect, because there is great disenchantment with the Senate throughout the land. Why voice protest to a deaf Senate?

MARY T. FORREST  
Executive Vice President  
Mocksville-Davie Chamber of Commerce  
Mocksville, N. C.

### Carter's tax rate

According to recent information, President Carter, on an income of \$498,842.29, paid only \$48,152.12 in personal income tax. This figures out to an effective tax rate of only 9.65 percent of his income. While enjoying probably the lowest effective tax rate in the U. S., he rants against reducing capital gains from 49 percent to 25 percent.

A 25 percent capital gains tax is still more than double the rate that the head of this country pays. How many people get by for a less than 10 percent effective tax bite? And how many workers out in those factories, shops, and offices pay less than a 10 percent effective rate?

We all need to have our taxes lowered to the same effective rate enjoyed by the President. Hopefully, his token tax payment will provide enough impetus to bring our tax rates down to his.

When the public realizes how much more of the tax burden it is carrying than the head of this country, there may be enough protest to bring taxes and spending down to realistic levels.

ROBERT G. KITTRELL, JR.  
Perry, Kittrell, Blackburn & Blackburn  
Henderson, N. C.

### Next step: chaos

Why would anyone buy life insurance, save money in a bank or savings institution, or buy a bond when the value of his money is going down so fast? Under present circumstances, what good is a pension, social security, or any other fixed income in one's old age?

In a few short years, the general public will ask such questions and stop saving. The bond and mortgage markets will disappear. Construction and related industries will halt. Unemployment will soar. The presses printing money will overheat. Farmers will refuse to sell their produce for money.

The barter system will not feed the urban population. Hungry people will rebel and then, chaos.

This is no product of a wild imagination. At age 79, I have seen it myself in Germany in 1922, and in Brazil, Peru, Chile, Argentina, and elsewhere during the past two decades. The scenario was the same.

Some seem to think that somehow the ultimate disaster can't hit us. But already, there are signs of impending chaos, and American business is doing nothing effective about it.

American industry has public relations experts who can explain any idea so that the most ignorant person can understand it. Let's use that ability.

Start a campaign to reach the millions of stockholders, employees, and the general public. Quit talking about price increases. Show the millions of retired people that the value of their pensions is going down. Explain to labor that, no matter how fast or how high wages rise, the money value will go down faster. Explain that every user of electricity produced from coal will pay the 39 percent pay raise won recently by the United Mine Workers.

It is no good to wring our hands and wail about inflation. Let corporate business attack the problem. The politicians will get the message.

JOHN L. EBAUGH, JR.  
Independent Insurance Agents, Inc.  
Birmingham, Ala.

### Banking needs a breather

Regulation of the banking and savings and loan industries is at such a point now that if Mr. Carter takes a deep breath, the Federal Reserve construes it as meaning that money is too loose. The money market is then tightened and the economy is off again.

Through regulation the government is controlling the economy. It should be run instead by businessmen experienced in management and the sound practices of their trades. This not only applies to banking and savings and loans but to all industry.

The installation of electronic fund transfer (EFT) systems is another step by the government to control the economy and gain access to the financial records of as many people in the U. S. as possible.

For me, putting the EFT into common use is placing too much power in the hands of too few. We all saw what happened when we did that before, during Watergate.

R. M. BUTLER  
Humble, Texas



## Lessons to Be Learned From a Bad Law

**I**N THE familiar maxim, bad cases make bad law, but there is a second maxim drawn from the first: Bad laws breed bad law. That is one of several instructive lessons that might be gleaned from the Supreme Court's opinion of June 15 in *TVA vs. Hill, et al.* This was the Great Snail Darter case, and it had everything.

To refresh your recollection: Back in 1967, Congress authorized the Tennessee Valley Authority to begin work on the Tellico Dam and Reservoir Project along the Little Tennessee River. The idea was to improve the lives of the people in the area, to create a great lake for recreation, to generate a little electric power, and to develop the shoreline through new construction. It was pointed out at the time that the 33-mile reservoir, covering 16,500 acres of productive farmland, would obliterate other values, but no matter. Congress authorized the venture, and TVA went to work.

Six years later, building upon a couple of earlier laws, Congress adopted the Endangered Species Act of 1973. I intend no offense in remarking that it seemed the fashionable thing to do. This is how things work in Congress. Once it was fashionable to be anticommunist, and we got the Subversive Activities Control Board. Again, it was fashionable to support détente, and the board disappeared. We have had legislative fashions in consumerism, in space exploration, in civil rights. In the fall of 1973, environmentalism was in fashion, and people who had never met the word before in their lives were talking earnestly of "ecology." On a splendid wave of good intentions, Congress floated the Endangered Species Act to Mr. Nixon's desk. The vote in the Senate was 92-0, in the House, 390-12.

**T**HE PURPOSE was altogether admirable. The idea was to halt the reckless and irresponsible march of what may provisionally be termed "progress" at the expense of the natural world around us. Americans, as a breed, have an ugly record in this regard. Long before the 1973 act was passed, we and our forebears had killed off the passenger pigeon and nearly eliminated the bison and such lovely creatures as the whooping crane and the ivory-billed woodpecker. In a heedless quest for material wealth, we polluted lakes, poisoned streams, paved over the countryside for parking lots, and sprayed defoliants to hell and gone. From an economic standpoint, much of this has been arguably good; from an environmental standpoint, much of this has invited disaster.

In any event, with a nearly unanimous cry of mea culpa, Congress passed the 1973 act. No one paid serious attention to a paragraph in Section 7.

The paragraph authorized the Secretary of the Interior to identify, and publicly to proclaim, those species of animals, birds, fish, and plants he found to be endangered or threatened. The paragraph then imposed a flat and unqualified obligation upon "all other federal departments and agencies." Once they are put on notice of a Secretary's finding, they must take such action as may be necessary to ensure "that actions authorized, funded, or carried out by them do not jeopardize the continued existence of such endangered species. . . ."

**W**HILE THE Endangered Species Act was pending in Congress, late in the summer of 1973, a Tennessee ichthyologist, Dr. David A. Etnier, Jr., began exploring the Little Tennessee River in the



area of the Tellico Dam. He found a previously unknown species of perch, a three-inch, tannish-colored overgrown minnow, the snail darter, *Percina Imostoma tanasi*. He estimated its population at 10,000 to 15,000.

Perhaps only an ichthyologist could love them. All told, some 130 species of darters are known to exist, 85 or 90 of them in Tennessee, and new species of darters recently have been identified at the rate of one a year. Nevertheless, opponents of the dam brought Dr. Etnier's discovery to the attention of the Secretary of the Interior, and on Nov. 10, 1975, with the dam 75 percent complete, the snail darter formally was pronounced to constitute an endangered species.

TVA officials, convinced that the 1973 law was not intended to apply to ongoing projects authorized before its enactment, kept working on the dam. Opponents sought an injunction to stop construction. A U.S. district court refused to enter



such an injunction, but the Sixth Circuit in January, 1977, reversed. By that time, the dam was substantially complete. With the appellate decision, things at last ground to a dead halt. TVA appealed, and on June 15 the Supreme Court voted six to three to affirm the Sixth Circuit. "The snail darter won," said Justice Lewis F. Powell, Jr., from the bench. "He won 100 percent."

In my own view, for whatever it may be worth, Section 7 provides us with a good example of bad law—of extreme law. The section admits no room for compromise, no means for balancing values, no way to consider such realities as a \$119 million nearly completed dam.

The section suffers from the vice of egalitarianism. All species are equally to be preserved. Falcons, eagles, grizzly bears, and whooping cranes carry no more weight than a couple of mud turtles, some subspecies of toad, and the Furbish lousewort.

**L**ESSON number one to be learned from this affair is thus a lesson in statutory drafting. It is extremely doubtful that Congress ever intended Section 7 to be applied retroactively to projects far advanced toward completion. But if this was so, Congress failed to say it was so. Congress succumbed to the powerful gospel of environmentalism and wrote a bad law. And before the story is ended, unless we are careful, bad law will breed more bad law.

None of this is meant to criticize the court's majority opinion of June 15. On the contrary, Chief Justice Warren Burger and his colleagues merit applause for standing by the doctrine of judicial restraint even if their position produced absurd results. The majority found the language of the statute too clear to require much interpretation. The law set up an "irreconcilable conflict" between the dam and the darter, and under the law it was the dam and not the darter that was doomed. Congress had power to adopt the 1973 act; if the law was unwise, it was no business of the Supreme Court to pronounce it so.

"Once the meaning of an enactment is discerned and its constitutionality determined, the judicial process comes to an end. We do not sit as a committee of review, nor are we vested with the power of the veto," the opinion said.

**T**HAT IS sound doctrine. At the same time, there was something to be said for the dissent by Mr. Justice Powell, who objected that his fellow justices' view of "the plain intent of Congress" was not that plain to him. He thought the word "actions" in Section 7 could be reasonably construed so as to permit "some modicum of common sense and the public weal." Mr. Justice Powell observed that he could not believe Congress intended to halt construction on some vital defense project in order to preserve some newly discovered water spider. "I have little doubt," he concluded, "that Congress will amend the Endangered Species Act to prevent the grave consequences made possible by today's decision."

That was sound prophecy. The majority opinion

no sooner was announced than Congressman Robin L. Beard of the Sixth District of Tennessee sprang into action. Mr. Beard, a consistent fellow, had been one of only four members of the House to vote against the original conference report of 1973. Now, he proposed to tie the House in knots by offering 682 amendments to the 1973 act—one for each species on the endangered list—in order to prevent its continued funding. On the Senate side, Tennessee's Howard H. Baker moved to set up review panels with authority to weigh the Secretary's proclamations against other public interests. Meanwhile, a staff writer for "The Washington Post" found a state of "pork panic" on Capitol Hill, as legislators saw nightmare visions of their own pet projects halted in mid-construction.

The 1973 act expires of its own terms on Sept. 30. A few general observations are in order. The intention of the Endangered Species Act was sound and good and farsighted. The sweep may have been too broad—there are an estimated 1.4 million full species of animals and 600,000 full species of plants in the world—but it is at least arguable that a protective act should sweep widely. We still know pathetically little about the cycles of life that sustain living things, and we are forever discovering in nature secrets that benefit mankind. It would be a pity—more than a pity, a disaster!—to see the act wiped out in reckless reaction to the Supreme Court's decision.

**B**UT THERE is this to be said on the other side: We err, we try to play God, in attempting to preserve every species and subspecies of every plant, bird, fish, and animal on earth. The history of this planet is in part the history of species appearing and disappearing, surviving and expiring according to the laws of natural selection. For aesthetic reasons, we surely have an obligation to preserve species of great beauty or great interest; for scientific reasons, we ought to fight for those endangered plants that may have medicinal value. And as a general rule, we ought not heedlessly to interfere with the life chain that sustains our fish and wildlife. But one subspecies of snail darter? Mr. Justice Powell rightly scoffed at putting a \$119 million price tag on an unimportant, insignificant fish. The mammalian species known as *Homo sapiens*, Mr. Justice Powell seemed to be saying, deserves a little preservation, too.

The story may have a happy ending. At this writing, the TVA people are working on an alternative plan that Chairman S. David Freeman believes may provide even more benefit for the taxpayers than the original development plan. Efforts to transplant the snail darter into nearly identical Tennessee streams are continuing. Alarmed conservationists are rallying their scattered forces to plead for extension of the act without crippling amendments. Spokesmen for Interior are doing their best to mollify the suddenly aroused opposition. Reason may yet prevail.

Meanwhile, in the clear, cold waters of the Little Tennessee River, the snail darter, casting flickering shadows on the shallow gravel, provides a superlative textbook in politics and law. □



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Present law limits the pyramiding of the sales tax (a tax on a tax, on a tax) by exempting machinery and parts "used directly" in making the final product. House Bill 635 goes one step further to benefit Ohio's economic climate, by minimizing multiple taxation of the same item.

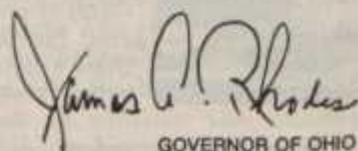
The measure should go a long way towards demonstrating once again to Ohio industry—and prospective Ohio industry—that state government wants to be fair with them and wants to make and keep Ohio an attractive place to do business. The bill does this by ensuring that Ohio will have one of the best "direct use"

exemptions for manufacturers of any state in the country.

In recent months Ohio has enacted two other business tax incentives—a tax credit on new equipment and machinery, and real estate tax exemptions on new construction or remodeling—which have been major factors spurring new industrial development in Ohio. Our basic philosophy is that "Profit is not a dirty word in Ohio!"

There are many more reasons why you will like Ohio. We'd like to tell you about them.

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## A Balanced Approach to Tax Cuts?

**C**ITIZEN demands for curbs on government taxes and spending are evolving into the leading domestic political issue.

Promises of fiscal restraint are beginning to figure more and more prominently in campaign oratory and in official pronouncements as the depth of the tax revolt becomes more apparent in all parts of the nation.

The business community is enthusiastically in favor of curtailing the growth of government. But some of the manifestations of the tax revolt pose a dilemma for business people as taxpayers.

Some business people, for example, caution against what they call a meat-ax approach to fiscal reform. They depict that procedure as one in which massive abrupt changes are made in fiscal policies without much thought of the impact the changes will have on

the overall economic well-being of the community.

Business leaders sharing those concerns believe in a balanced approach to fiscal restraints, one in which all citizens are affected equally. They point out that, in many cases, the banner of tax reform has been carried by special-interest groups whose real motives are to lower their own taxes while raising business taxes to make up for lost revenues.

The advocates of a balanced approach to fiscal restraint also point out that government services to be abolished or cut back in the wake of tax cuts should be determined in a rational manner, as part of an overall plan. The aim should be to curb nonessential or marginal services, they explain.

There are those, on the other hand, who say that a meat-ax approach is the only way to rally vital public support

and to convince recalcitrant politicians that a tax revolt is a legitimate manifestation of citizen concern.

Detailed consideration of which taxes should be lowered and which government services should be affected would lead to endless debate that would prevent any tax revolt from ever becoming an effective political force, advocates of a hard-hitting approach insist.

Such a debate, they say, would play into the hands of elected officials who often react to tax-revolt movements by using scare tactics or by trying to play off one group of taxpayers against another in hopes the movement will collapse from internal strife.

What do you think?

Should fiscal-restraint movements take a balanced, as opposed to a meat-ax, approach to curbing governmental taxes and spending?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Wilbur Martin, Editor  
Nation's Business  
1615 H Street N. W.  
Washington, D. C. 20062

Should fiscal-restraint movements take a balanced approach?

☐ Yes ☐ No

Comments: \_\_\_\_\_  
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## 12 Years in Washington Is Time Enough

**O**VERWHELMINGLY, NATION'S BUSINESS readers think congressmen should be limited to a dozen years in Washington.

While quite a few representatives and senators make it through only a single term, many are returned year after year by the voters.

By sheer endurance they move up the ladder to committee chairmanships and awesome power. And once elected, most congressmen find that the advantages of the incumbency are hard to beat.

Sen. John C. Danforth (R-Mo.) has proposed a constitutional amendment that would limit each senator and representative to a total of 12 years' service—two six-year Senate terms and six two-year House terms.

Sen. Danforth says that our Founding Fathers intended members of Congress to be private citizens on leave to their government, not lifetime legislators. The sad results of many congressmen spending most of their adult lives in Washington are obvious, he says.

"First, Congress has grown more distant from the American people. Second, the growth and the cost of government have skyrocketed as congressmen say anything, do anything, and spend anything to get themselves reelected."

Sen. Danforth's proposed amendment requires approval of two thirds of the Senate and the House of Representatives and then three quarters of the states before it can become part of the Constitution.

Critics of the proposed amendment argue that the length of congressional service is a matter for the voters of each state and congressional district. Continuance of a legislator in office should be decided by his constituents, not by an arbitrarily restrictive constitutional amendment.

In June, the Sound Off to the Editor question was: "Should congressional service be limited to 12 years?" Judging by the responses received from NATION'S BUSINESS readers, Sen. Danforth seems to be on the right track. Overwhelmingly, the answer was yes.

John R. McAlpine, vice president



*Charles Blakemore, senior vice president, Leo Burnett U.S.A., Chicago, says: "Anything to break up the Washington oligarchy. Move Congress to Denver."*



*William C. Gordon, Jr., chairman, Farmers Savings Bank, Marshall, Mo., is against Sen. Danforth's proposal. He says a congressman's usefulness does not have a time limit.*



*T. B. Clark, senior vice president, The Tappan Co., Mansfield, Ohio, favors limiting congressional service. He notes that "even 12 years may be too long."*

and manager of administration at Young & Rubicam-Detroit, says: "Sen. Danforth's observations are right on target; one of our problems is the serious lessening of competence of what we once regarded as the world's greatest deliberative body."

"Even better," suggests Roy W. Gronauer, president of TriTan Corp., Houston, "let's consider one term and no reelection unless it is separated by one term out of office."

"It is necessary to diminish the sustained influence of the legislative demigods," says Robert L. Riebow, director of government sales for Best Foods, Englewood Cliffs, N.J. "Authentic servants of the people can continue their contributions outside government. No state or congressional district is so short of talent that it cannot replace a legislator with another equally as effective."

Roger L. DeRaleau, vice president of Valley Bank and Trust Co., Springfield, Maine, says: "Definitely. New men bring in constructive and different outlooks, attitudes, and foresight on existing and proposed legislation."

"A thousand times yes," says attorney Wilbert E. McReynolds of McReynolds and Jantz, DeRidder, La.

"Nothing is as damaging to our form

of government as the long personal reign in office of an elected official." He adds that "retirement from elective office should be unheard of in a democracy."

Walter H. Chapman, president of El Paso Corrosion Co., El Paso, Texas, speaks for the other side of the issue. "It's my decision as a voter," he says. "We believe we are sending the best to Washington. The important thing is it's the people's choice."

Another response opposing Sen. Danforth's plan is from William Weiss, president of The Rotary Co., Inc., Buffalo, N.Y. He says: "A time limit would result in the loss of experience a good legislator has accumulated." What should be scrapped, he says, is the present automatic rise to committee chairmanship based on seniority.

Keith T. Smith, director of corporate market development for Hercules, Inc., Wilmington, Del., sides with Sen. Danforth. "I believe," he says, "this move would make our elected officials more concerned about the next generation than about the next election."

"Congressmen should be professionals from every walk of life, but politics itself should not be a profession," says Joseph R. Farrell, Jr., president of Joseph R. Farrell, Inc., West Conshohocken, Pa.



hocken, Pa. "Unfortunately power does corrupt, and while there are some good politicians, the upgrading of the whole Congress would far outweigh their loss."

Eldon Seelig, vice president of American Bank and Trust Co., Minot, N. Dak., agrees. He feels that many of our present economic and social problems are directly linked to our elective system. He says that congressmen are much too concerned about reelection.

L. P. Lathem, Jr., president of Lathem Time Recorder Co., Atlanta, is of a different opinion. He feels that "a good, honest career-type congressman could be lost to the nation. Experience takes time to replace," he says, "and we would have even more amateurs in office."

"If somehow voters learned to vote intelligently instead of selfishly, bad old congressmen would be voted out and good old congressmen kept in."

Charles L. Johnson, executive vice president of the Wayne Chamber of Commerce, Wayne, N. J., answers yes and would go even further than the proposed amendment. He suggests: "Perhaps consideration should also be given to requiring that the President,

when elected, become disassociated from any political party. Hopefully, this would result in a more effective President because he would not have to give support to either party. Reelection would be as an independent incumbent running on his record."

"Fresh, energetic new people every 12 years would be a blessing to the U. S.," according to Roy E. Brooks, president of Louisville Mobile Homes, Inc., Louisville, Ky. "Congressional service should be just that," he says, "a service rather than a vocation for life."

Mark E. Large, branch manager of Cater-Vend, Inc., Centralia, Ill., votes no to Sen. Danforth's proposal but offers an alternative. "The salary of congressmen should be lowered to the median national income, and the sessions of Congress should be limited to 60-90 days. Then only public-spirited people would be interested in serving."

E. A. Bishop, district manager of Armstrong Cork Co., Saddlebrook, N. J., favors limiting congressional terms. "Some will use the argument that it takes time to learn the ropes of government; therefore, the longer the time spent in office, the better the efficiency." But, he notes, that argument

will be used "by those who have tangled the ropes."

John L. Colmar, attorney, Morton Grove, Ill., agrees that 12 years of congressional service is enough. "Let the legislators live and work some of their lives under the laws they pass."

Harold F. Knowles, executive vice president of the Greater Randolph Area Chamber of Commerce, Universal City, Texas, comments: "The longer a congressman serves outside his constituency the more he loses touch with why he is in Washington. He can reach a point where being in Washington is more important than representing his constituents."

Kathleen A. Embry, bookkeeper for Sherlock's Glass Co., Elko, Nev., definitely favors Sen. Danforth's proposed amendment. "You're damn tootin'," she says. "I've often wondered how congressmen have the temerity to restrict the President's term of office yet still leave their own wide open. Tenure, coupled with old age, often leads to arrogance or petulance, and opinions become as inflexible as old bones."

"Seniority can easily lead to corrupt power," she says. "I'm no cocky sprout letting off steam. I'm 61 years old." □



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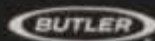
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# TV's Michael Landon: He Runs "Little House on the Prairie"

By Wilbur Martin

**"I** ONCE MADE ribbon in a ribbon factory," says Michael Landon, star of NBC's "Little House on the Prairie."

"I was really concerned about the quality of that ribbon."

"Now, making ribbon may seem silly to some people, but I wanted to make the best ribbon around, because that's what made me enjoy that job."

"I think you have to be proud of what you do, no matter what you're doing. The reward is knowing you've done whatever you do well. I know that's the feeling in this company."

The company is the one of which he is executive producer, and instead of miles of ribbon, it produces miles of film that is edited into the hour-long, top-ranked weekly program, "Little House on the Prairie."

"Of course, this is a business," says Mr. Landon. "We have 120 people in the company, a \$400,000 budget for each of 22 shows, and we worry about the same things other business people do: inflation, meeting the budget, rising costs."

Mr. Landon, 42, is every bit as much an entrepreneur as any of the millions of people across the nation who have made a success out of individual talent. In his business, he is a master of all jobs, just like any small business person on Main Street, Anytown, U.S.A.

Only Mr. Landon's Main Street is a make-believe one, depicting 19th century frontier America in the upper Midwest.

"In those days," he says, "people either worked or they starved. It was tough, but it was good for people, mentally and physically. We were created to have to go out, get our food, and build our shelters in order to survive."

"When all of these things are taken for granted, people develop a great deal of time on their hands. They begin to invent problems that don't exist."

"I think this causes a bad mental state, and that's part and parcel of the drug problem in this country. If you



Executive producer and director-star Michael Landon runs a company with 120 people and an \$8 million-plus budget to produce 22 hour-long TV shows each season.



# Like Any Other Business

PHOTO: THOMAS SHIFFER



Michael Landon switches from acting to directing without ever changing hats. Here, he is directing a "Little House" scene at an outdoor location north of Los Angeles.

know you have to go to work to survive, then you're not going to spend your day higher than a kite."

"Little House on the Prairie" is a family TV show, one of the few in prime time, and one of the few to rank consistently among the best viewed programs. Mr. Landon is executive producer, the star, director of every other episode, and frequent script-writer. He is personally involved in all aspects of production, from selecting the music to lighting Sound Stage 32 at Paramount Studios, in Hollywood, Calif., where interior scenes are filmed.

## Management principles

If he were operating another type of business—that ribbon factory, for instance—Mr. Landon says he would use the same management principles: Let the person who knows his job do it, and motivate people to do their very best.

"The reason I cared so much about whether I made good ribbon was because the man who ran the factory would come down and explain why our ribbon was the best and why we had to keep it that way.

"I learned a lot from the long list of jobs I had before I went into acting," says Mr. Landon.

"Direct selling, for instance. There's nothing tougher. You meet some awfully rude people in direct selling. And you meet some awfully nice people.

"Most of the people who were rude to me at the door weren't basically rude people. They just didn't want to buy anything or they couldn't afford to buy anything. But instead of admitting that, they were rude as a sort of defense."

The role of Charles Ingalls, the father struggling to raise a family on the frontier, is fictional. But, to a large degree, it is self-portrayal for Mr. Landon. The central character believes in the values of family, hard work, and pride of accomplishment.

So does Michael Landon.

"The setting may be 19th century frontier," he says, "but this is really a



contemporary show. People can relate to incidents in it, because they involve people and what people do, especially within families.

"Take the episode where Mary, Mr. Ingalls's oldest daughter, first had to wear glasses. She was embarrassed at having to wear them. She was always taking them off and hiding them.

"That happened to my daughter, and it happens in a lot of families."

"Little House," which is based on the series of children's books written by Laura Ingalls Wilder, has had an enormous impact on young people, according to one national poll of elementary schoolchildren.

"We don't beat kids over the head with a message, but there are things I'd like them to listen to," says Mr. Landon.

"I know with my own children (he has seven), I want them to strive in terms of getting a feeling of accomplishment, of getting something done, whether they really want to do it or not. The fact is that you're not going to have a job or a task you're going to like every day. There are days you'd rather be doing something else.

"Any person who runs a business probably feels like that on some days."

There is one message that the boyish-looking producer-star hopes the

thing and do it as well or better than anybody else. And that kind of feeling has carried over to all of my jobs."

Mr. Landon was born Eugene Maurice Orowitz on Oct. 31, 1936, in Forest Hills, N. Y., but grew up in Collingswood, N. J., on the outskirts of Philadelphia. In high school he was "scrawny and not a very good student," but he took up the javelin, became an all-American high school athlete, and then enrolled at the University of Southern California.

### Many different jobs

His athletic career ended when he tore the ligaments in his throwing arm. Disappointed, he dropped out of college after his freshman year and went to work—as a blanket salesman, car washer, process server, factory hand.

While Mr. Landon was unloading freight cars at a North Hollywood warehouse, an aspiring actor also working there asked him to help prepare for an audition by reading the other part. This encouraged Mr. Landon to sign up for Warner Brothers' acting school. He picked the name Michael Landon out of the Los Angeles telephone book to use as his professional name.

Mr. Landon had a number of bit roles before being cast as Little Joe, one of three sons of a patriarch rancher, on the television program, "Bonanza," which first went on the air in 1959.

For 14 years, Mr. Landon played the part of Little Joe. During this period he began the on-the-job training which has resulted in his multifaceted role today.

"I grew up on that show," he says. "I could have sat in the corner between scenes, but I wanted to learn this business, and I did. I was lucky to be in the right place at the right time to do it."

### Doing it all

By the time "Bonanza" went off the air, he was writing scripts and directing as well as acting. "I like to do it all," says Mr. Landon.

"Maybe I like directing just a little bit better. But I like to bring in a show at price—to meet the budget. Last year we finished the season under budget."

There is little outward difference between the Michael Landon before the camera and the Michael Landon behind the camera. When he talks to someone, his green eyes rarely leave the face of that person.

"Whatever you are doing," he says,



Director-star Michael Landon blocks out a scene with two child actors for an episode of "Little House on the Prairie."

## The Face Is Familiar

Almost as many people have seen Michael Landon in commercials for Kodak as have seen him in "Little House on the Prairie."

"It's funny," he says, "people who are in the film business tend not to take many pictures at home because they are so involved with pictures in their work."

"But my commercial work for Kodak has actually gotten me to take a lot more photographs. My children have a wonderful time doing the commercials. All of the pictures used are the ones we take."

Does he ever get complaints from viewers whose pictures didn't come out?

"Oh, no. Kodak makes good products. It's easy to take pictures."

program gets across: Parents and their children should communicate.

"Maybe it is because of my own background—my parents sometimes went for six weeks without speaking to each other—but I think that the most important thing people can do is communicate."

"That was the advantage of the 'little house.' When something was wrong with one person, there was no place to hide that from anybody else. Everyone had to work together; it was a team effort, a family. People talked to each other."

In his view, that philosophy is timeless, as valid today in a suburban, ranch-style home as it was in a tiny, prairie homestead.

Mr. Landon also believes that everybody needs to be good at something, regardless of what it is.

"I look at myself," he says. "I wasn't going anywhere as a kid. Something as silly as a javelin gave me a feeling of accomplishment, and I could do some-



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"the most important thing is to communicate with people—to listen to what they are saying. There isn't anyone in this company who can't make a suggestion or propose an idea and not be listened to seriously."

Most of the company have been together for years, coming over from the "Bonanza" show.

"When you have a business—and this is a business—the people working in it are the most important assets you have. They make it work or not work."

Mr. Landon spends far more time on the series behind the camera than he does before it. An early riser, his "think" time is usually between 5:30 a.m. and when he leaves his Beverly Hills home to be at work by 7 a.m. "I do my planning and thinking about things while drinking coffee on the patio."

#### Time-out for horseshoes

Television shows are filmed in bits and pieces out of sequence, to be cut and spliced into the finished product weeks later. Most of the outdoor scenes

are filmed on location 50 miles north of Hollywood, but some are also shot in the High Sierras of Northern California or in Arizona.

It takes seven production days to film a one-hour episode and another two or three weeks to edit the film and put in the musical background.

There is an air of informality at the shooting workplace. Occasionally a child actor will fluff a line and tense up. Mr. Landon has closed down shooting for as much as an hour and a half while he played horseshoes or Ping-Pong to relax the child.

But there is no doubt who makes the decisions on "Little House." "I want the responsibility to be mine if something goes wrong," Mr. Landon says.

Some executives may take their jobs home with them, but the producer of "Little House" does not.

"When I'm done at 6 o'clock, I'm done. I go home to my family. I don't stew about what happened that day or worry about what's going to happen tomorrow."

"I consider my family more impor-

tant than the job. Maybe it's because I've had a lot of jobs, and I know I can always get one doing something. But I don't believe you help yourself by putting your job above everything else."

Why is there so much sex and violence in the movies and on television these days?

"Whose fault is it?" Mr. Landon asks. "If adults would take their children to theaters when G-rated films are playing, there would be nothing but G-rated films made. But they don't."

"It's the same with television. It's tough to make it with a family show. The networks don't arbitrarily put on sex and violence; they put on what the public apparently watches."

To Mr. Landon, the critical rocks thrown at television are the same sort that are thrown at any number of businesses or institutions.

"People complain a lot, but what do they do about it? They should support the things they talk about, but they always seem to want to leave this to somebody else." □

## A 60-Second Look at Broadcasting

Broadcasting is a classic example of an industry made up of thousands of individual small businesses. Of the 8,290 radio and television stations licensed in the United States, 8,241 are locally owned and operated. The national networks own and operate 34 radio and 15 television stations.

But large or small, each of the stations is regulated to some degree by the Federal Communications Commission, the Federal Trade Commission, the Department of Commerce, the Occupational Safety and Health Administration, the Department of Labor, the Federal Election Commission, and the Equal Employment Opportunity Commission.

There are currently four areas of major importance to the broadcast industry.

One is the FCC's proposed regulations on advertising some sugared food products, primarily ready-to-eat cereals.

The FCC wants to ban all television advertising of these products to certain groups of children. The agency also proposes to require that advertisements for food products not banned be balanced by industry-funded nutritional "disclosures."

"The broadcasting industry is as

concerned as anyone about what information reaches children during their developmental years," says Vincent T. Wasilewski, president of the National Association of Broadcasters.

"The question is, however, whether the federal government should mandate the content of television advertising messages for children."

"Broadcasters believe that the mechanism is already in place to monitor advertisements and set standards. This is NAB's television code, which includes specific guidelines for toy, snack-food, and breakfast-food advertising. For example, under code standards, sugared-cereal products are advertised only as part of a balanced breakfast; snack foods are recommended only in moderation."

The NAB president says that "the ultimate responsibility and decision to purchase products rest with parents. Governmental intervention, no matter how well-intentioned, is a dangerous precedent and not the answer."

The other areas of concern include minority acquisition of broadcast properties; rewriting of the Communications Act of 1934, and cross-ownership of newspaper and broadcast properties.

NAB, Mr. Wasilewski says, has established a task force to assist minorities in purchasing broadcast properties and is working with the Small Business Administration in this area.

NAB is supporting some proposed changes in the communications act, particularly in the area of deregulation of broadcasting, but many broadcasters are concerned that some proposed standards are vague.

Broadcasters generally were pleased with the recent U.S. Supreme Court decision upholding multiple ownership, but, Mr. Wasilewski says, some small market areas are still not being treated fairly.

There are more than 3,000 communities in the United States which have at least one radio station, and more than 300 communities with at least one television station.

The average household has five radios in working order, and 94 percent of all households are now able to receive at least four television stations.

The industry employs 157,000 people. In 1976, the last year for which final figures are available, gross revenues were \$7.2 billion. Of this total, television accounted for \$5.2 billion, and radio grossed \$2 billion.



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# Why Spending Limits and Tax Cuts Must March Together

PHOTO: MAGGIE/REUTERS



Dr. Jack Carlson, National Chamber's chief economist, tells a Senate panel that cutting taxes is only half a policy.

**T**HE BUSINESS COMMUNITY is forcefully telling Congress that any across-the-board tax relief must be accompanied by spending restraints.

That stand has added a major new element to the heated congressional controversy over how taxes should be cut to meet a growing public clamor for relief.

One proposal that has extensive support on Capitol Hill is the Roth-Kemp tax reduction bill calling for permanent cuts in tax rates.

According to the Chamber of Commerce of the United States, individual and corporate tax liabilities would be reduced by an estimated \$19 billion in 1978-79, rising to \$98 billion in fiscal 1981.

The Roth-Kemp bill has become a major congressional issue because of the burgeoning tax-revolt movement now under way in most states.

Business, on the other hand, has begun a major campaign to point out to the public that cutting taxes is only half a policy.

Dr. Jack Carlson, vice president and chief economist of the Chamber of Commerce of the United States, told a Senate Finance Committee hearing on the Roth-Kemp bill: "The other half must consist of limitations on the growth of federal spending. Unless limitations are placed on the growth of federal spending, the National Chamber does not support the Roth-Kemp bill."

That position was also taken by prominent economists such as Drs. Alan Greenspan and Herbert Stein, both of whom have served as chairman of the Council of Economic Advisers.

In setting forth the National Chamber's stand on fiscal policy, Dr. Carlson told the Senate hearing that the business federation could support the tax relief proposed by the Roth-Kemp bill only if the legislation also contained provisions under which:

- Federal spending would increase no faster than the rate of inflation—approximately seven percent—over the next three years; and
- One third of the tax relief would be targeted to stimulate job-creating and capacity-expanding investment.

Specific steps should include a rollback in capital gains taxes, application of the investment tax credit to buildings, liberalized depreciation, and an increase in the corporate surtax exemption for small business.

A combination of tax relief, investment stimulus, and spending limits, Dr. Carlson said, would produce, within three years, the following benefits:

- One million additional jobs;
- A 13 percent drop in unemployment;
- A \$13-billion increase in investment;
- An average increase of \$1,055 in after-tax family income; and
- A reduction in the total tax burden of the average family from 40 per-

cent to 37 percent of income.

"This would be the first significant reversal in decades" of the trend toward an ever-higher government share of personal income, Dr. Carlson said.

In addition, the National Chamber plan would mean an increase of less than one percent in the Consumer Price Index; tax-cut plans without spending restraints or investment incentives would increase inflation much more severely.

"Roth-Kemp tax relief alone is inflationary and unwise policy at this time," Dr. Carlson said. "The National Chamber is committed to the objective of slowing down the growth of both taxes and spending to less than the growth in people's income."

He explained that a seven percent growth limitation on federal spending would allow flexibility in protecting essential programs. At the same time, "such a modest limitation should be easy to obtain, if there is a will."

## Increased consumer spending

The Roth-Kemp bill is based on the expectation that enabling wage earners and corporations to retain substantial sums now going to pay federal taxes will lead to increased consumer spending, and industry will expand to meet that demand. Eventually, the accelerated economic activity will generate enough revenue to make up for the income lost through the original tax cuts.

Dr. Carlson pointed out, however, that a major problem facing the nation today is declining productivity because of government policies that discourage investment in modern production equipment.

"The Roth-Kemp bill only indirectly helps to overcome this serious economic problem," he said. "Only about one tenth of tax relief is earmarked for corporations which account for more than two thirds of American business output."

Sen. William V. Roth, Jr. (R-Del.), sponsor along with Rep. Jack F. Kemp (R-N.Y.) of the tax-cut legislation and a member of the Senate Finance Committee, said the emphasis on tax relief in the legislation stemmed from his belief that "one of the things most often overlooked in Washington today is how angry the taxpayers really are."

He agreed with the view that spending limits are highly important, but said the current climate in favor of tax relief offered an opportunity "to change the direction of this country" in fiscal matters. □





# A New Day in Court for Business

By Robert T. Gray

The National Chamber Litigation Center, a public interest law firm whose objective is to protect business, is taking the offensive on a variety of fronts

The National Chamber Litigation Center's work is "vital to the survival of the business community," says Robert T. Thompson, the board chairman.

PHOTO: JOHN TRONE

**L**AST FALL the Occupational Safety and Health Administration ordered employers to pay workers for time spent voluntarily accompanying OSHA officials on workplace safety inspections.

Does OSHA possess the power to dictate pay and other labor relations decisions to business?

The Chamber of Commerce of the United States says it does not. The business federation has launched a major court challenge to OSHA's claim to such power.

All business has a vital stake in the outcome.

## Case against OSHA

The legal counterattack to OSHA's attempt to extend its jurisdiction beyond the job-safety area was launched swiftly and aggressively. It provided dramatic evidence of the rapidly expanding activity of a major new force in Washington, the National Chamber Litigation Center.

NCLC, a business-oriented public interest law firm established in March, 1977, by business leaders active in the

National Chamber, is pursuing its case against OSHA on behalf of the federation and its 76,000 members.

While the number of public interest law firms in the country has grown rapidly in recent years, the National Chamber Litigation Center is the only one devoted exclusively to representing business before the courts and regulatory agencies.

Business advocacy in these forums is a formidable challenge these days. Most of the 100 public interest law firms now in existence represent environmental, consumer, and other activists seeking to curb or halt economic growth and to expand the federal regulatory web. Such firms employ hundreds of attorneys and are spending many millions of dollars this year alone on antibusiness causes.

The National Chamber Litigation Center, by contrast, had a first-year budget of \$300,000. While that figure includes seed money and support facilities provided by the National Chamber, the center must look to its membership—companies, associations, and individuals—for funds to carry on

the actual court battles. NCLC has also established individual funds to support specific areas of litigation.

"If business is really serious about fighting for its rights before the courts and regulatory agencies," says Lawrence B. Kraus, executive vice president of the Litigation Center, "companies must recognize that legal battles are expensive. We need members' dues and contributions to do the job."

## Seeking judicial balance

The center, he explains, "was established as a national organization to represent business and bring balance to the judicial process. We have already begun to fulfill that role by involvement in cases which have set important precedents for the business community."

"By working together, the Litigation Center and business will have the resources to defend business against the growing opposition it is facing.

"Now is the time for business organizations to respond aggressively to the present intrusions upon their rights



and activities. They can do this by supporting the center."

NCLC's basic mission, says Robert T. Thompson, nationally prominent labor lawyer who is chairman of the center's board of directors, is "to fight for business on issues that are vital to the survival of the business community."

### 30 significant cases

In keeping with that mission, NCLC has involved itself in 30 significant cases dealing with a wide variety of business interests. NCLC is defending the following positions, among others:

- Employers should not have to finance strikes against themselves, which is now the situation in states that allow strikers to draw unemployment compensation benefits.
- Trade associations are entitled to First Amendment rights under federal laws governing political fundraising.
- Company safety equipment needs should be decided on an individual basis and cost benefit must be considered in each determination.
- The federal government should be

prevented from disclosing confidential business information received from companies under the Freedom of Information Act.

- A union local bound by no-strike and arbitration agreements may not strike in support of illegal picketing by members of other locals, and if it does, the union's district or national officers are liable for the local's action.

- The Internal Revenue Service should accept for tax purposes generally accepted methods of inventory valuation and accounting that are in keeping with commercial accounting principles and policies.

- A union may not engage in normally prohibited secondary activities in an attempt to force its employer to recognize and bargain with that union.

- The present Securities and Exchange Commission disclosure requirements are sufficient for that agency's purposes, and the SEC should not force corporations to assume the burden of submitting information on environmental and social issues.

- Pension plans are not subject to the antifraud provisions of the federal securities laws, and treating such plans as securities would impose on employers a regulatory burden that could force large-scale pension plan terminations, especially by smaller employers.

### Precedent-setting victories

Business efforts in these and other legal actions have been encouraged recently by three precedent-setting victories in Supreme Court cases. Litigation Center attorneys had joined with other probusiness counsel in the three suits, in which the Supreme Court held that:

- An employer enjoys the same Fourth Amendment rights that all citizens do, and he may refuse to admit to his premises an OSHA inspector who does not have a search warrant.

- A Massachusetts statute prohibiting a business from advertising its views on referendum issues not directly affecting company interests is unconstitutional. The court ruled that the state prohibition violated business's First Amendment rights to free speech. Because the statute did not apply to other groups—such as labor unions—the court found that the law conflicted with the Fourteenth Amendment's guarantees to equal protection as well.



Ira M. Millstein heads a panel advising the center on which cases to litigate.

- It is unconstitutional for states to enact legislation which arbitrarily interferes with preexisting private contracts between employers and their employees.

"These successes provide a starting point for the center's work," comments Stanley T. Kaleczyc, NCLC director of litigation. "Each court decision favorable to the business position brings with it significant responsibilities to both the business community and to the center as the advocate for business. Every time the constitutional rights of business people are reaffirmed, the center has the obligation both to protect these rights against efforts to limit the reach of constitutional protections and also to seek out new opportunities to build upon these precedents."

### The Bakke decision

NCLC had also participated in the controversial Bakke reverse discrimination case, arguing that a quota system was not an effective general solution to discrimination problems. The Litigation Center was heartened by the Bakke decision in that the Su-

Lawrence B. Kraus is executive vice president of the National Chamber Litigation Center.







Thomas J. Donohue, center vice president, says it defends the basic rights of business.

PHOTO: BOB CHAMBERLAIN

preme Court struck down the use of quotas by employers and educators; however, the ruling is unclear in many areas and seems to augur further action in the courts.

"Only time and additional litigation will define the parameters of affirmative action programs in the future," notes Stephen A. Bokart, senior labor counsel for the National Chamber Litigation Center.

The readiness of business to take legal action and its success in winning major cases is not, of course, a new development. American businesses have always involved themselves in litigation to protect their interests. Some of the most famous decisions of the Supreme Court's earliest days involved commercial issues.

What, then, accounts for the current upsurge of business litigation? It would appear to flow out of the confluence of two major developments.

#### Outlandish causes

First is the proliferation of antibusiness lawsuits that began in the 1960's, when it seemed that everyone with a cause, no matter how outlandish, was turning to the courts. Many of the suits filed were in the environmental, labor relations, consumer, civil rights, and antigrowth areas. Most cases were designed either to force business into actions it was reluctant to pursue—or

to prevent it from doing what it believed it should.

The second development was steadily increasing judicial activism. The courts began to interpret the law in a manner that set broad new policies.

#### Increasing impact

According to NCLC Executive Vice President Kraus: "Decisions made by the courts and regulatory agencies have had an increasingly significant and immediate impact on business in recent years."

"By ensuring that a general business perspective is placed before the courts and agencies, NCLC influences those public policy decisions that most greatly affect business interests."

In light of the impact these developments have had on the business community, "we have designed our litigation program to meet the demands of the times," says Thomas J. Donohue, NCLC vice president. "We want our litigation to have high visibility and a public focus. We are representing aggressively the interests of all business."

Mr. Donohue adds that "business must realize what a tremendous stake it has in these court cases. We are defending fundamental business concerns in fighting for First Amendment rights; fighting for the right to earn a profit; fighting, actually, for the right

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## SETTING DIRECTIONS FOR THE CENTER

The National Chamber Litigation Center's basic mission of serving as "an effective and responsible legal advocate for business" is under the overall supervision of an eight-member board of directors.

Its chairman is Robert T. Thompson, a senior partner in the law firm of Thompson, Mann, and Hutson, of Greenville, S. C., and Atlanta.

Other members of the board are: James H. Binns, president, Armstrong Cork Co., Lancaster, Pa.

A. Dean Swift, president, Sears, Roebuck, and Co., Chicago.

William E. Dauer, executive vice president, San Francisco Chamber of Commerce, San Francisco.

John V. James, chairman, president, and chief executive officer, Dresser Industries, Inc., Dallas.

Dr. Richard L. Leshner, president, Chamber of Commerce of the United States.

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of business to survive under an onslaught of governmental controls and regulations. This is why the work of the National Chamber Litigation Center is so important."

### Stringent criteria

Litigation Center criteria for selecting cases are stringent. The center steps into cases only when they will have an impact on a broad cross section of the business community, and only when an effective business advocate has not yet been found.

"Unless we have something to add," states Mr. Kraus, "we will not participate in a case. We want to present original or different views, or a different perspective; we want to offer a creative or novel approach."

Two panels of outside advisers assist the NCLC staff in evaluating and selecting cases. The panels and their members are:

Constitutional and Administrative Law Advisory Committee—Chairman Ira M. Millstein, Weil, Gotshal & Manges, New York; George W. Coombe, Jr., executive vice president and general counsel, Bank of America, San Francisco; Allen G. Holmes, Jones, Day, Reavis & Pogue, Cleveland; Philip M. Knox, Jr., vice president, government relations, Sears, Roebuck, and Co., Chicago; Robert A. Nitschke, vice president and associate general counsel, General Motors Corp., Detroit; Walter A. Schlotterbeck, vice president, general counsel, and secretary, General Electric Co., Fairfield, Conn.; and Albert H. Swett, vice president and general counsel, The Coca-Cola Co., Atlanta.

Labor Law Advisory Committee—Vincent J. Apruzzese, Apruzzese & McDermott, Springfield, N. J.; Charles G. Bakaly, O'Melveny & Myers, Los Angeles; William J. Curtin, Morgan, Lewis & Bockius, Washington, D. C.; and David Gross, associate general counsel, Shell Oil Co., Houston. NCLC Chairman Thompson is an ex-officio member of this committee.

### The OSHA mandate

The Labor Law Advisory Committee endorsed the National Chamber's decision to oppose OSHA's walkaround mandate because of the strong potential impact the agency's decision would have on the private sector. The lawsuit challenges not only the mandate itself, but the manner in which it was enacted.

Specifically, the issue involves the time spent by employees who volun-

tarily choose to accompany OSHA officials on workplace safety inspections.

The U.S. Court of Appeals for the District of Columbia has held in the past that neither the Occupational Safety and Health Act nor the Fair Labor Standards Act requires an employer to compensate a worker for walkaround time.

Nevertheless, OSHA Administrator Eula Bingham announced in an August, 1977, speech to a union that employers would be required to provide such employee compensation in the future. The walkaround ruling appeared in the September 20 "Federal Register" with the unusual notice that the regulation had been effective as of Aug. 10 for those aware of Dr. Bingham's union speech, and was effective from the date of publication for everyone else.

The National Chamber's complaint against OSHA alleges that, contrary to standard procedure, no time was allowed for affected parties to comment on the ruling's anticipated impact.

### Wages for "hours worked"

Moreover, the complaint filed by NCLC states that the Fair Labor Standards Act provides for payment of wages for "hours worked" and that "no judicial decision or published regulation or interpretive opinion of the Department of Labor has defined the term 'hours worked' to include time spent by an employee voluntarily accompanying an OSHA inspector on a walkaround."

The procedure by which OSHA enacted the walkaround mandate is also at issue in the case. OSHA passed a major regulation of unquestionable importance to both labor and management without the usual prior notice and opportunity for public comment.

The National Chamber argues that such autonomous rulemaking is impermissible. OSHA cannot be permitted to take the lawmaking process into its own hands.

Litigation Center cases involve the new laws, new regulations, and new concepts of our increasingly complex and changeable environment. However, NCLC adheres to a single underlying principle in its varied litigation activities: Business's legal rights must be protected.

The National Chamber Litigation Center intends to ensure the preservation of those rights. □



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# Federal Figures and the True Economic Story

**F**EDERAL agencies that compile economic statistics are continually seeking ways to improve the accuracy of those numbers.

Major changes have been made, for example, in the manner in which the Consumer Price Index and the Wholesale Price Index are compiled and reported. A commission has begun a study to find the best way to assemble and use statistics on employment and unemployment.

Despite such steps, a leading investment counseling firm has issued a caveat about the increasing reliance being placed on the various official indexes.

Boston-based David L. Babson & Co., Inc., calls for a better understanding of the limitations of statistics and a more balanced approach to their use.

The firm makes these comments in a staff report on some of the government's statistical work:

**Gross National Product**—This figure "is intended to measure the total dollar output of the economy. A good chunk of the data consists of estimates which are extrapolations and apportionments from earlier benchmarks, so the possibilities for error are large.

"Yet the GNP statistic that gets all the attention these days is not the aggregate itself (which, incidentally, has just topped \$2 trillion). It is the seasonally adjusted, annualized rate of change from one quarter to the next.

"With the growing popularity of computerized econometric models, the business and financial community has become almost obsessed with quarter-to-quarter forecasts of real (constant

dollar) GNP covering the next one or two years. It is implicitly assumed that any economist worth his salt can make these projections with a reasonable margin of error. But can they?"

A look at the record, the report says, shows that these quarterly figures have never been projected accurately in recent years.

The report adds: "One seldom-noted feature of GNP reporting is that the numbers for a given quarter or year are revised over and over again. Yet each new version, when released, is immediately accepted as definitive."

**The Unemployment Rate**—"The most quoted statistic... also the least understood. Each month's number is spotlighted in the media without perspective or analysis. January's figure, for example, was 6.3 percent. The man

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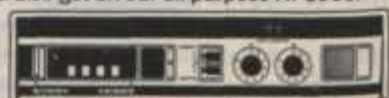
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in the street has the impression that this is a stratospheric level. Yet it is less than one fifth higher than the average jobless rate of 5.3 percent over the past 25 years.

"No one really knows for sure whether the figure of 6.3 percent is too high or is simply a reflection of the enormous structural changes that have occurred in national work habits—more planned unemployment to take advantage of liberalized benefits, the rising proportion of short-term job seekers, more moonlighting, the influx of illegal aliens, etc."

**The Consumer Price Index**—"Almost everyone incorrectly assumes that it measures the cost of living. Actually, it omits some of the biggest items in most family budgets—including income and Social Security taxes. The

CPI is basically a retail price index."

**Seasonal Adjustment**—"Eliminating seasonal influences from raw data has always been a statistician's nightmare. But in recent years, the oil embargo, the steep recession, and extreme weather patterns have in many cases turned the task into a mission impossible. What is a normal February nowadays, or March, or April?

No matter what seasonal adjustment method is used, it has to be arbitrary."

The report notes that former Federal Reserve Board Chairman Arthur Burns, while testifying on the basic money supply in 1976, pointed out that the published figure for one month was 6.1 percent but added: "I have before me a table that shows a dozen or more seasonal corrections that might have been applied. We used one . . . if we had used [another] the figure might have been 4.8 percent or 9.7 percent."

Concludes Babson: "It's hard to imagine how our economic system could function without a steady flow of reliable statistics. Yet no matter how much their quality is improved, they will never be able to give a totally accurate picture of the complex, ever-evolving economy." □

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# Protectionism vs. Free

There is a lot of sentiment for setting up import barriers in this country. Are such barriers a good idea?

By Sterling G. Slappey

**T**HE MAIN building at Bulova Park on Long Island, headquarters of the 103-year-old Bulova Watch Co., Inc., has a central room covering about two acres. Less than two years ago, this vast room housed more than 1,200 highly paid technicians who produced watch movements and made spare parts.

Today six lonely women work on spare parts in one corner, and fewer than 200 other workers, most of them women, assemble movements in another corner. The remainder of the room is empty or used for storage. Assembly benches have been taken out and sold or stored, along with various equipment. All the other workers have been dismissed—700 are drawing unemployment compensation.

Why? Because the tariffs on imported watches, movements, and cases were cut in half. After the cuts, Bulova discovered it was cheaper to market foreign-made Bulova watches in the U.S. than those made here. Bulova gradually shifted practically all its production to Switzerland, leaving only small operations on Long Island, where a few ladies' watches are manufactured, and in Providence, where watch cases are made.

## A nation of importers?

"America is becoming a nation of importers and consumers, rather than exporters and manufacturers," says Sol E. Flick, Bulova's chief executive officer and executive committee chairman, as he ticks off the famous names of onetime American watches that are now made abroad—or are extinct: Elgin, Hamilton, Benrus, Waltham, Gruen. Timex is the only major



Special Trade Representative Robert S. Strauss confers with congressional leaders about foreign trade matters. From left: his deputy, Alan W. Wolff; Rep. Charles A. Vanik (D.-Ohio); Ambassador Strauss; Sen. Russell B. Long (D.-La.); and Sen. Abraham A. Ribicoff (D.-Conn.).

American-made watch still on the market.

Another troubled area is the domestic zinc industry.

At the Natural Resources Group of Gulf & Western Industries, Inc., William E. Flaherty, executive vice president, strongly favors protective governmental action.

"Domestic zinc producers are losing money while a flood of imported zinc steals jobs from Americans," Mr. Flaherty says.

"The basic reason for the surge is the sluggish economy abroad. European producers, having stockpiled their zinc, had to convert inventories into cash. So they began shipping zinc to the U.S. at discount prices. U.S. prices dropped five times in the past year, from 37 to 29 cents per pound.

"Because of rising imports, U.S. smelting and refining dropped 50 percent from 1968 to 1973. Refineries have been closed in seven states. During 1977, imports accounted for 60 percent of domestic consumption."

But domestic producers have failed

in their attempt to convince the government that zinc imports need to be controlled. In response to a petition on behalf of six producers seeking relief from foreign imports, the U.S. International Trade Commission ruled five to one that zinc imports have not been responsible for the industry's problems. Rather, they said that injury to domestic producers has resulted from declining consumption and strikes.

## The other side

Mr. Flick and Mr. Flaherty take one side in the argument over whether American industries should or should not be protected against foreign imports. Other business executives say they take the wrong side.

These business people have been and remain loyal to free trade despite the \$31 billion trade deficit the U.S. had last year.

Some of the most respected business organizations, including the Chamber of Commerce of the United States, are basically in favor of free and fair trade, supporting import controls only in re-



# and Fair Trade

sponse to unfair international trade practices.

Other executives and organizations refuse to take public positions for or against protectionism. While preparing this article, a NATION'S BUSINESS editor had three appointments canceled because top executives of three well-known multinational firms decided at the last moment that their interests would best be served by total silence. There are also executives who straddle the issue, finding good reasons for and against protectionism.

Organized labor is heavily weighted on the side of protectionism, claiming that it keeps production in the U.S. and saves jobs.

## Negotiations under way

Arguments for and against protectionism have heated up recently because negotiations to reduce tariffs and nontariff barriers are going on in Geneva under the General Agreement on Tariffs and Trade—GATT. The U.S. is represented by a delegation headed by Special Trade Representative Robert S. Strauss.

Opposing pro-protectionist business leaders is Henry L. Duncombe, Jr., a vice president and chief economist of General Motors Corp.

"The automobile industry, and particularly GM, has a history of favoring free trade that goes back to the 1930's," he says. "In the 1960's, we strongly supported the Kennedy Round tariff cuts, and we now strongly support Ambassador Strauss in his negotiations in Geneva."

"The GM position is to urge a reduction of all tariffs on automobiles everywhere and then later to move for complete removal of all tariff barriers on automobiles."

"Nontariff barriers must be addressed; that is one of the current goals of the GATT talks."

"We have this three percent tax on the factory price of imported cars entering the U.S. Yet the Common Market has an 11 percent tax on American-built cars. To make things worse, that tax is based on the landed cost of our cars over there which, of

course, includes shipping and insurance costs.

"The Japanese have done away with their tax, but they have nontariff and distribution barriers which really penalize American cars. A GM car that sells on the West Coast for \$4,000 can't be sold in Japan, given Japan's distribution restrictions and other problems, for less than \$12,000."

Despite these and other inequities, GM wants free trade, Mr. Duncombe says, but the company also insists on fair trade. "The most promising cement that can keep this world from blowing apart is vigorous trade between countries," he says.

Can GM continue to prosper in the face of increasing imports of foreign cars, particularly Japanese cars? "Yes," says Mr. Duncombe, "if American-built cars going abroad are penalized no more than foreign cars coming in here. That is free trade."

Dr. Jack Carlson, chief economist for the National Chamber, says protectionism is the biggest danger to this country's world trade since the 1930's, when high American tariffs helped worsen the Depression.

## Unfair advantages

He points out that the U.S. already has various protective measures for American manufacturers. He does not object to all of these. A distinction must be made, he says, between setting up import controls simply because American firms are having trouble competing with foreign firms and cases where foreign competitors are employing unfair trade practices. In the latter cases, American industries may need and deserve help, he says.

"Some foreign manufacturing companies are dumping in the U.S.," Dr. Carlson explains. "They are running plants full steam to avoid unemployment and then selling their products abroad, particularly in the U.S., for anything they can get. This is classic dumping, and stagnant foreign economies contribute to this bad situation."

"The National Chamber, of course, opposes this. American companies facing such excessive imports need help

from our government in one form or another. Furthermore, foreign governments and companies often use delaying tactics. They slow their shipments to the U.S. temporarily to divert attention from the flood of imports and gain another few months or a year before the U.S. has to clamp down."

## Short-run problems

Glenn C. Bassett, Jr., executive vice president of international banking at Marine Midland Bank in New York, is as much for free trade as Mr. Duncombe and Dr. Carlson.

"I am an internationalist," Mr. Bassett says, "and I recognize the danger of too much protectionism in this country. I understand the pressures that Washington is under from our manufacturers who, when things are good, talk of free trade, and when things are bad, talk of protectionism."

"The Japanese created special problems because they are willing to operate in some instances at no profit. That gets into the area of dumping. It is hard to compete with the Japanese, considering the improved quality of the items they make, when at the



U.S. Steel Corp. executive Marvin L. Esch says his industry has been hurt by foreign companies selling products in the U.S. market at less than cost.



same time we cannot compete with them in pricing."

Mr. Bassett fears that, if the U.S. pushes protectionism too hard, foreign countries will retaliate. He points to Brazil as an emerging major nation that does not have to buy American products. And, he says, the Brazilians might not buy American goods if U.S. protectionist actions threaten to disturb Brazilian foreign trade.

### Realistic competition

"Brazil and many other nations can get what they want from countries that do not depend on protectionism," he says.

Mr. Bassett labels the recently agreed to trigger prices on foreign steel entering the U.S. as protectionist. There is a fine line between dumping steel and realistic competition, but the line is real, he says.

The trigger-price mechanism is designed to alert the government to potential dumping of foreign steel without requiring U.S. steel producers to file formal complaints. The trigger prices were developed on the basis of production costs in Japan, considered the most efficient of foreign producers. When exporters of steel to the U.S. charge less than these prices, and therefore are probably selling below cost, a Treasury Department investigation is triggered. The investigation can lead to formal antidumping proceedings.

### Excellent markets

Mr. Bassett warns that "if we throw up barriers to the Germans, the Japanese, and others trading in the U.S., they will try to beat us in excellent markets, such as Saudi Arabia. So far, the Saudis are loyal to the U.S., even with the sagging dollars they hold. But if others concentrate on the Saudi market, how much longer will the Saudis remain loyal?"

"One thing further. If you bring in much protectionism, you inevitably hit friends as well as others. Look at the Germans. They have cooperated well with the U.S. since World War II. They are good friends and customers. Protectionism could spoil this."

Besides trigger prices for steel, the U.S. government is helping to protect the shoe and color television industries through orderly marketing agreements which limit the number of various types of imports.

Basically, the academic community seems to take a position favoring free trade.

Dean Justin Davidson, of Cornell University's Graduate School of Business and Public Administration, sums up predominant sentiment in academia this way: Faculty members espouse a free market philosophy, but no member of the Cornell faculty or of most other university faculties favors free trade at all costs. Most professors recognize it is naive to stand for free trade when others are not playing the game fairly. Imposition of import controls can be legitimate, even necessary, as a response to foreign government subsidization of industry or to dumping.

Ambassador Strauss, too, advocates free trade, but with import controls used under certain circumstances.

After pointing out that, for example, one in every three acres producing food or fiber in the U.S. is involved in foreign trade, he says:

"We are so heavily involved in exporting that we cannot mount unfair barriers to others selling products in our country. Every time we restrict trade, we feed inflation. The voices of protectionism say: Let's stop importing, especially Japanese products coming into the U.S. If we do as they tell us, we will hit the American buying public right in the pocketbook. We should open markets so we can sell more abroad."

The ambassador says he and President Carter realize that the American people have the right to choose what they buy, and that, in many cases, this can result in selecting foreign-made

goods. The prerequisite Mr. Strauss places on this process is that fair trade practices are involved in putting the foreign items before the American consumer.

Another Carter administration spokesman who goes down the line—at least 95 percent of the way—for free trade is Frank A. Weil, assistant secretary of commerce.

"Protectionism is the next thing to economic suicide," he says. "I never believed more fervently in anything than that protectionism hurts this country, other countries, and business. Partial protectionism can work only temporarily."

"The U.S. is into protectionism only temporarily and in a small way involving only a very few items. We realize that we do have to bend a little. The situation is like a rigid airplane wing—it will break unless you put some bend in it."

Still, the American steel industry was greatly aggrieved before the trigger prices were implemented last February. Charges of dumping were brought against Japan by the steel companies, then dropped to give the trigger prices six months or so to work—or not to work. Meanwhile, American steel production is still low, with the number of unemployed steelworkers recently ranging as high as 60,000.

### Steel production

Marvin L. Esch, formerly a congressman from Michigan, and presently director of public affairs for U.S. Steel Corp. in Washington, outlines his company's attitude now that trigger prices are fully operative:

"There has been expansion of Japanese steelmaking capacity far beyond local needs. Japan feels that it needs to maintain this very high level of production for the sake of unemployment. Steel production there rose from less than five million tons in 1950 to 131 million tons in 1973. Last year, it dropped back to 113 million tons. The Japanese themselves used only 72 million tons. The remainder was exported, principally to the U.S."

"Meanwhile, steel imports into Japan were held to less than three tenths of one percent."

"Now look at Britain. The nationalized steel industry there has been losing money heavily. Currently, losses are projected at more than \$2 million a day. Yet the British are selling steel on our West Coast for less money than the Japanese are charging, just to keep



If protectionism is pushed too far, it will bring retaliation from abroad, warns Glenn C. Bassett, Jr., an executive vice president of Marine Midland Bank.



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British steelworkers employed. British steel mills absorb the losses.

"Is it dumping? Yes. We say that our government should have the political will to enforce trade agreements and protect us. Until the government does, the American people will continue to pay twice for steel labor—once through unemployment money for our idled steelworkers and once in payments for foreign steelworkers.

"One of the biggest questions facing the world today is whether a relatively free market system such as ours can compete with the more controlled market systems."

## Historical role

Protectionism has played a prominent role in American history—more often adversely than otherwise.

The American Revolution resulted in part from the British practice of passing laws to protect British manufacturers against competition in the U.S. colonies, from either foreign or colonial manufacturers.

High tariffs contributed to the War of 1812. The depression starting in 1819 was rooted in trade restrictions of various sorts. For nearly 100 years afterward, the thinking in Washington was that tariffs determined the economic health of the nation, for better or worse. In 1828, the Tariff of Abominations bill was introduced as an attempt by congressional opponents of protectionism, led by influential Southerners, to set up such extreme trade barriers that the whole idea of protectionism would be discredited.

The strategy backfired. The tariff bill passed and became law. Several years passed before the tariffs were appreciably reduced. In the meantime, the country was torn politically and the economy injured by wild pricing and trade restrictions.

Protectionism was one of the major causes of the Civil War. The South, primarily an agricultural region, opposed protectionism for Northern industries because this meant high prices. The North wanted to shelter its young and tender industries.

Tariffs have been used to raise federal revenue, to win votes, and to protect industries from foreign imports.

The federal government no longer looks on tariffs as a means of raising large sums. But the other two reasons for instituting protectionism are still very much with us. □



To order reprints of this article, see page 66.





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*The 300SD Turbodiesel Sedan: the boldest forward stride since Mercedes-Benz built the world's first production Diesel automobile 42 years ago.*

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points, all but immune to conventional tune-ups.

In a single technical masterstroke, the most desirable traits of a gasoline and a Diesel engine have been blended into one. An advance significant enough to make this not just a new kind of Diesel but a unique new kind of car.

### **Five supercharged cylinders**

That masterstroke is turbocharging of the 300SD's five-cylinder engine.

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ple it follows, a turbocharger harnesses the engine's own exhaust gases to radically increase the supply of air fed into the cylinders—literally *supercharging* them with air for more volatile combustion.

Turbochargers have appeared on many types of engines, but never until now on the engine of a Diesel automobile. The effect is amazing. Maximum power is boosted by 43 percent, for example, and maximum torque by 46 percent.

And the driving experience



makes even those numbers pale. That old Diesel stigma of feeble torque and leisurely pickup has vanished in a burst of turbocharged energy. This is one Diesel that can break away from stoplights and tollbooths *with* the traffic, not behind it. That extra thrust you need on freeway entrance ramps can be found. You can sustain a normal driving pace on the Interstates, hour after hour.

Mercedes-Benz test data show that although 400 pounds heavier than its lively 300D Sedan stablemate, the Turbodiesel can zip from zero to 55 mph in 2.6 seconds *less* time – placing it among the quickest Diesel cars in history.

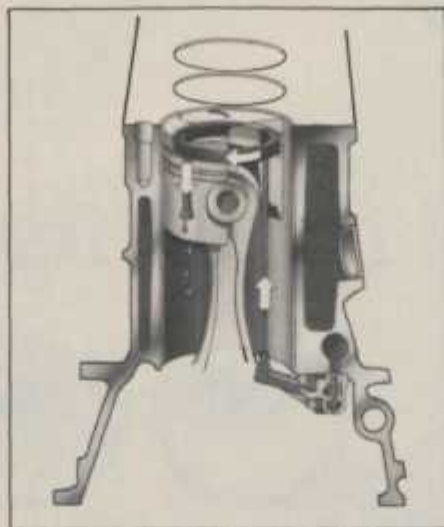
No minor feat for an engine of only three liters or 183.0 cubic inches in capacity; yet no great surprise for an engine so efficient that it produces .601 horsepower per cubic inch of displacement – the best ratio of power to engine size of any Diesel passenger car power plant in the world.

### Fuel appetite down

Startling as it may seem, this extra performance helped reduce the Turbodiesel engine's normal appetite for fuel.

Turbocharging so handily solved the Diesel need for power that it freed the engineers to specify a more economical rear-axle ratio – in effect, gearing the car to go further on the power produced by a given gallon of fuel.

Consider the Turbodiesel's performance. Then consider that EPA



Each piston in the 5-cylinder Turbodiesel engine is cooled by a fine spray of oil injected from below.

estimates show 29 mpg in highway driving and 24 mpg in the city. Naturally, your mileage will depend on the condition and equipment of your car and on where and how you drive.

### Record-breaking reliability

This breakthrough has hardly been rushed to the market. Mercedes-Benz placed the 300SD Turbodiesel engine in production only after 5 years of testing – and only after placing it in the reliability record books.

Fitted with a modified version of this engine, a C-111-3 research car went out on April 30, 1978 and set nine world records – including one stint of 2,345 miles in twelve hours at an average speed of 195.39 mph. For the entire record run, the engineers report a fuel mileage figure of 14.7 mpg.

### A car apart

The Diesel turbocharging trail blazed by Mercedes-Benz with the Turbodiesel may some day be followed by others. But no Diesel engine will ever share the privilege of propelling a comparable car. It is the unique combination of that engine and this automobile that truly sets the Turbodiesel apart.

As befits the most elegant Diesel Mercedes-Benz has ever built, the Turbodiesel sits on the longest wheelbase of any Diesel car produced by the company in modern times. Yet its turning circle is a tight 38 feet and its crisp handling lets you nip through traffic.

Fastidious engineering is everywhere. You glide along on a suspension that is neither spongy nor harsh, but designed to provide both ride comfort *and* roadholding. The key is the independent suspension of all four wheels, allowing each wheel to individually react to the road surface.

Each shock absorber is gas pressurized to help cushion even minor ripples. The automatic transmission provides not three but four speeds, and the option of shifting for yourself if you prefer. From a monocoque body shell to 11-inch disc brakes at all four wheels, nothing from the vast store of Mercedes-Benz technical expertise has been held back.



This turbocharged five-cylinder Mercedes-Benz Diesel research car just shattered nine world speed records – including one lap at an average speed of 203.37 mph.

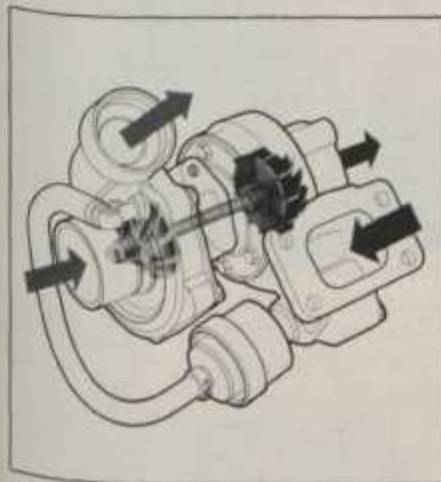
Inside, you and your passengers are a coddled group: surrounded by thick padding, velour carpet underfoot, cradled in spacious seats front and rear. Bi-level climate control, electric windows, automatic cruise control, central vacuum locking system and AM/FM stereo radio are all built in.

Also built into your 300SD Turbodiesel: 120 safety features, perhaps the most attractive fact of them all.

### Summing it up

In 1886, the gasoline-powered automobile was pioneered by the two men who founded Mercedes-Benz. In 1936 came the world's first production Diesel passenger car, again from Mercedes-Benz. And now in 1978 begins the era of the turbocharged Diesel passenger car.

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# Flying High on an Idea

Mary Kay Ash uses the bumblebee as one of the symbols of a \$50 million cosmetics business she built in just 14 years

**A**ERODYNAMICS have proven that the bumblebee cannot fly," says Mary Kay Ash. "The body is too heavy, and the wings are too weak. But the bumblebee doesn't know that, and it goes right on flying miraculously."

So do the salespeople who work for Mary Kay Cosmetics, Inc. There are more than 40,000 of them, in all 50 states and the territories, in Australia, and in Canada. "They have all found their wings and are flying just like that bumblebee," says the chairman of the highly profitable, nearly \$50 million-sales company, which she founded 14 years ago with \$5,000 in savings.

The bumblebee, incidentally, is a symbol used by the Dallas-based firm. The company grew out of a book that Mrs. Ash, or Mary Kay, as she prefers to be called, intended to write after retiring in 1963. She had been in direct selling for 25 years, first with Stanley Home Products, a housewares party-plan firm, and then as the national training director for World Gift, a decorative accessories company.

## Unhappy retirement

"When I left World Gift," she says, "I was making \$25,000 a year and working 60-hour weeks. I loved it. But after having been retired, even briefly, I know why the obituary columns are full of people who recently retired."

"I have never spent a more miserable time in my life. I just felt my life was over. I lived across the street from a mortuary, and I almost called them."

Mary Kay didn't stay retired long. She spent two weeks writing down all the direct-selling techniques that she had learned over the years, then an-

other two weeks listing all the problems she had encountered. Her idea was to show women how to sell, to impart some of the techniques that "had helped me over the hills I had to climb."

But as she was writing, she thought: Well, anybody can write down the problems, but what would I have done about solving them, if given the chance? So, she says, "I began to think about each problem, and as a result, I came up with the marketing plan we use today."

## A business is born

A marketing plan without a product means just one thing: Find a product. "I wanted a product that women could really identify with, something that would be easy to sell, something that a woman who had never sold a thing in her life could sell."

"Well, I kept thinking, and then I had an inspiration. I had been using this private-label skin treatment for ten years, and it was really effective, so much that I wouldn't use anything else. That's it, I thought."

So she had a marketing plan and a product. What next? The answer: Found a company, one that was woman-oriented, one that would sell to women and would enable other women to succeed in business through the selling process.

The maker of the skin treatment—several creams—was persuaded to sell the formulas. Then Mary Kay and her husband set up a business organization. They rented a dent-in-the-hallway office that had "enough room for two desks and one of us at a time."

They invested their life savings in acquiring some inventory, "one little shelf of cosmetics." They also recruited ten salespeople, or consultants as the company calls them.

One month to the day that they were to open their doors, Mary Kay's husband died of a heart attack at the breakfast table. "I came back from the funeral, and I didn't know what to do," says Mary Kay. "I saw the world collapsing around me. But, you know, when God closes a door, He always opens another."

Through that door came son Richard, 20 years old and willing to accept \$250 a month to run the financial and administrative end of the fledgling company. Later, son Ben, then 27, joined the firm to run distribution.

## Beauty shows for customers

The foundation of the company's sales program is the beauty show, a demonstration which the consultant, or salesperson, usually holds in a hostess's home. The number of potential customers is limited to six people. The highly trained consultants stage what are really do-it-yourself beauty care sessions by the customers, using, of course, Mary Kay cosmetics.

Part of the company's plan is that each consultant, really an independent agent, carry enough inventory to fill any orders on the spot. The consultants pay for supplies in advance.

"There are no accounts payable and no accounts receivable," says Richard R. Rogers, now president of the company. "We sell to the consultant at up to a 50 percent discount from retail."

The consultant can also gain income





Mary Kay Ash displays a white mink coat, one of the many incentive prizes given annually to the more outstanding of Mary Kay Cosmetics' 40,000 salespeople. Other prizes include pink Cadillacs and diamond bumblebee pins.



Secretaries Christy Forbes (left) and Lewayne Putman (right) give new employees, who receive a complimentary set of cosmetics, a demonstration of how to use the firm's products.

The bumblebee, which supposedly cannot fly but does, is the symbol of Mary Kay Cosmetics. Top salespeople are awarded diamond-studded bumblebee pins. "They've all found their wings," says Mary Kay.



by recruiting and training other salespeople. Once 21 have been recruited and have met certain other qualifications, the consultant who recruited them becomes their director.

### Prizes for salespeople

The company offers a fantastic array of incentive prizes to its salespeople: opera-length mink coats, diamond rings, diamond bumblebee pins, watches, luggage, typewriters, pocket calculators, exotic vacations, and yearlong use of pink Cadillacs and Buick Regals.

In 1964, the company's first-year sales were \$198,514, and there were 318 salespeople. The second year, sales topped \$800,000. The growth explosion kept reverberating, fueled by retained earnings—profit margins were and are high—and Mary Kay went public in 1967. In 1969, the company added 102,000 square feet to its manufacturing facility in Dallas, which has now been expanded to 250,000 square feet. Through the early 1970's, four new distribution and training centers were opened in the United States, and the company expanded into Australia and Canada.

Last year, the firm moved into new corporate headquarters, a \$7 million rounded structure of bronzed-gold glass and beige brick, filled with hydroponically grown plants, flowers, and trees, and a plethora of colorful woods, rugs, and paintings.

The office of the chairman looks like a magazine illustration. A golden peacock sculpture perches on a ring suspended from the ceiling. There is a buff velvet couch, U-shaped for intimacy, a cut-crystal chandelier, Queen Anne chairs, a Regency desk and a backlit breakfront.

In an interview with a *NATION'S BUSINESS* editor, Mary Kay talks about the business she has created.

### What is different about your approach from other direct-selling companies in the cosmetics field?

Our emphasis is on teaching. The shows, or demonstration parties, offer a woman a way to have beautiful skin. She is actually taught how to apply the products. The basic plan takes five minutes in the morning and five at night, with a facial twice a week.

It took me 20 years in direct selling to come to my conclusions about how we should sell. I was convinced years ago that women were becoming more and more sophisticated and that the old door-to-door techniques were becoming outmoded. Even the party plan



used by some companies today, I think, will eventually become passé.

### Isn't this something like beauty demonstrations in stores?

No. If you go into a department store and let the person behind the cosmetics counter make you up, you can no more recreate what that person does than you can fly to the moon. Those people are makeup artists. They can make you beautiful, but you can't go home and do it yourself.

At our shows, you are taught why and shown how to apply your makeup. You do it yourself, make mistakes, wipe it off, try again.

### What about franchising? Can a person buy a Mary Kay franchise?

No. Richard and I resisted the temptation in the 1960's when franchising was so popular. I'll tell you why. Take a person who has built up her unit from scratch. Maybe she has 200 consultants working with her.

Now the company tells her: "That's fine, dear, you have the opportunity of buying the franchise for Houston or wherever for only \$100,000. And if you don't have the \$100,000, honey, this

fellow over here does, and he's going to be your boss." Well, that dog won't hunt, as we say in Texas.

### What about territories?

No, again. That was another problem I found. While I was with another direct sales firm, I was selling \$5,000 a month in Houston. So they brought me to Dallas, where I had to start all over again, and did, and got back up to \$5,000 a month in sales. That was following the Depression, and it was fabulous money. But, after you've recruited and trained 150 to 200 people, it doesn't make sense to be forced to leave and take over somewhere else. It's not fair, either.

### Well, how do you keep your salespeople from fighting over areas?

We have what we call the adoptive system. It works like this.

Say you recruit a consultant while you're on vacation in Hawaii. You leave her with a director of consultants in Hawaii, who trains her. Meanwhile, you draw a small percentage of your recruit's sales. But the company pays that commission, not the recruit.

The Hawaiian director does not get

any percentage, except to count the recruit's sales as part of her unit, but that Hawaiian director will have a recruit somewhere else, under some other director, and it balances out. Most of our 900 directors have adoptees.

Now this system is almost unexplainable to men, I've found. But it works. Everyone helps everyone else.

### It sounds incredibly complex. How do you keep track of the consultants?

By computer. We have set up distribution centers—they are in Los Angeles; Dallas; Atlanta; Piscataway, N. J.; Chicago; and lately, Toronto. Each has its own computer, hooked into the big computer here. I couldn't tell you how the computer system works, but it does, and we keep track of everybody.

### Do you manufacture all Mary Kay products?

We make every one of our products from scratch; we buy the raw materials and oversee every step of the production. Oh, except eyebrow pencils. We don't make eyebrow pencils, although the supplier that does, makes them to our own formula specifications.

### Why not eyebrow pencils?

# Fast



## Greyhound Package Express.

Need a fast, but inexpensive way to ship? Greyhound Package Express can fill your bill.

How inexpensive are we? On a ten-pound package shipped approximately 500 miles, say from Dallas to Memphis, Greyhound Package Express will save you about half the price of many air express services and about one-third of the price of express mail.

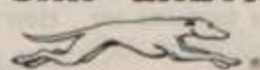
How fast are we? In most cases, Greyhound Package Express can send that same ten-pound package up to 500 miles in less than 24 hours.

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inexpensive. It's convenient. We can get your package to thousands of communities in the U.S. and Canada. And our buses operate 24 hours a day, 365 days a year.

Greyhound Package Express. We're out to prove a fast, convenient package express service doesn't have to be expensive.

### SHIP GREYHOUND







Mary Kay Ash, with her executive secretary, Jennifer Pruitt (left), operates from a sumptuous new headquarters office just outside of Dallas.



Mary Kay Ash and James Perry, a processing supervisor, check the color for a popular shade of lipstick at the company's Dallas manufacturing plant.

Because the machinery to make the pencils is very expensive and requires many times our volume to be cost-effective.

#### Where did you get the formulas for the cosmetics in the beginning?

I bought the formulas from the granddaughter of the man who developed them. He left a set of formulas to

his daughter. She came to Dallas, became a cosmetologist, and then spent the rest of her life trying to make and market these formulas.

#### How did you get to know about them?

A little miracle. I was working for Stanley Home Products, and I went to a brand new little house in the suburbs of Dallas to a demonstration party.

There were about 20 women there—nobody I knew—of all ages. They all had peaches-and-cream complexions. Well that wasn't normal; my antennae went up.

I thought maybe it was the lights—that new pink lighting had just come along; it was 1953. Anyway, after the party, we went out to the hostess's kitchen, and she started handing out these little jars to everybody but me. I wanted one, too, so I asked what she was doing.

She told me about her father, and explained that she was using all the people at the party to test her father's formulas.

#### What happened then?

Obviously, I looked skeptical. But we started talking, and these women told me how wonderful the stuff was. I wasn't all that convinced, but then this lady, get this, told me I had aging skin. That was 25 years ago. I needed to hear that, right? Wrong.

She had the cosmetics packaged in any kind of jars she could find, and she gave them to me in an old shoe box with the worst kind of directions I have ever seen. I thought, if I use this I may not have any face left.

#### But you did use it.

Yes, I took it all home. Those women really looked good, so I figured I might as well try it. I did, and my face did feel nice afterward. I thought: Who are you kidding?

The stuff smelled. You really had to be dedicated to use it.

Well, Richard, who was then ten, came home from school, and gave me that Hi-Mom-I'm-home kiss, just brushing my cheek. Then he turned and said: "Gee, Mom, you feel smooth." So, I thought, if a little boy can tell the difference, maybe this stuff has something. That was the beginning. I've been using it ever since.

#### These products really work?

Well, look at me. I'm a great-grandmother. And it isn't the lighting. There are no magic potions and no one has yet arrested the aging process. There is no fountain of youth.

So what you're left with is a good, consistent program of personal hygiene, taking care of your skin.

#### Your company does no advertising?

Only occasionally in magazines and on some TV game shows, but mostly it's word of mouth. We prefer to take the advertising dollar and make it a



promotional dollar and spend it on our people. I'd rather take the \$60,000 that a 60-second, prime-time television spot would cost and lease a fleet of pink Cadillacs to be given as incentive prizes to top producers.

**And you give out thousands of prizes at your annual sales meeting?**

We don't call it a sales meeting, just as we don't call our people saleswomen and salesmen—they are consultants. Every August, we have what we call Seminar. It's a grand party, three days of spectacle—part beauty pageant and part Academy Awards night. It's the climax to a whole year of Mary Kay enthusiasm.

But there's more than spectacle. There is a chance to share ideas and techniques with people from all over the country. There are classes in selling, goal-setting, leadership, charm and poise, even bookkeeping. We also have a workshop for husbands on how to be a helpful Mary Kay spouse.

On Awards Night, we get 8,000 people, all of whom come to Dallas at their own expense. Thousands of prizes are awarded, ranging from the keys to a Cadillac to diamond bumblebee pins.

We crown the queens of sales and recruitment and present them with prizes and flowers and scepters, accompanied by standing ovations and musical fanfares. And there are also inspirational speakers and top-notch entertainment.

**What do you have to do to win a pink Cadillac?**

Each director of consultants whose annual unit sales total is \$120,000 or more wins the right to drive a company leased pink Cadillac for a year. Last year, there were 57 Cadillac winners. In order to keep on driving the Cadillac the next year, the director has to produce another \$120,000 or more.

**You mentioned special classes for husbands. Are there family difficulties if the Mary Kay wife starts making more than her husband?**

At times. But I remember the answer of one man who was asked about this, and it was classic. He said: "As long as we're playing a tune, I don't care who's got the fiddle."

**How does your husband feel?**

When I'm at the office I try to fulfill

my position as chairman of the board, but when I get home, I am Mel Ash's wife. I have 16 minutes' driving time to change hats.

**Do you resent the dual role-playing?**

Not at all. Because I am accomplishing what I want. I am running a company for successful women, and I am being the person Mel Ash loves.

**Let's talk about you. Your husband says you clip store coupons.**

Of course. I had \$6 worth of coupons the last time I went to the grocery store. Well, maybe it is kind of ridiculous to spend time clipping coupons. I certainly don't need to. But I enjoy it.

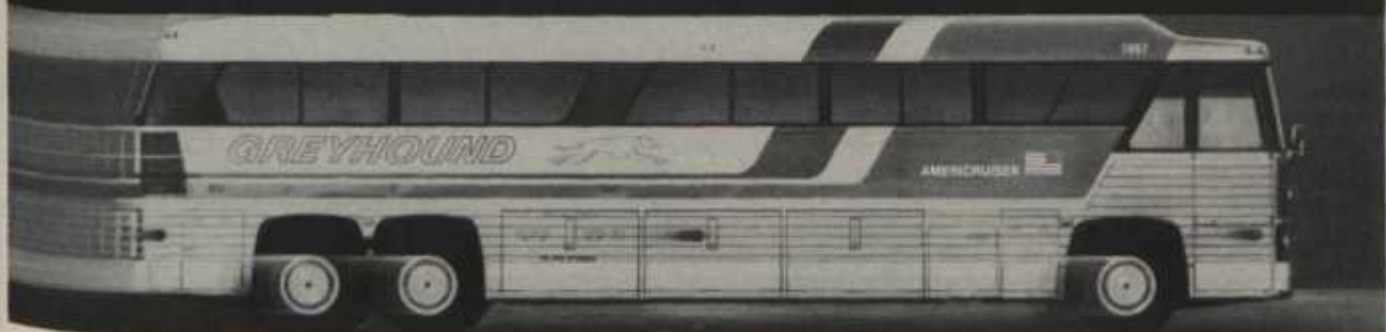
My father was an invalid, and my mother struggled all her life to keep our family together. I remember when I was making \$11 a week.

I just can't go to the grocery store and pick off the shelf. I price-shop, I read labels, I always look for value.

**Why do you live in a round house?**

I had always dreamed of a round house. Mel and I found the perfect lot—I wanted water, grass, and trees, and that's not easy here in Dallas. I

# Faster



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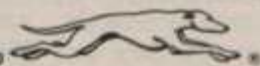
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**SHIP GREYHOUND**







(Above) The mother-and-son team of founder Mary Kay Ash and son Richard, the firm's president, has built sales to nearly \$50 million annually.



(Right) Mel and Mary Kay Ash stroll at home with poodle Gigi. Mary Kay says she is chairman of the board at work, but Mel Ash's wife at home.

## Nothing Wilts Faster Than a Laurel Rested Upon

The Mary Kay success formula has one prime ingredient: self-confidence. That's what the chairman of Mary Kay Cosmetics, Inc., preaches. And that's what the people who work for Mary Kay Ash, founder and chairman of the board, believe. With a faith that would levitate mountains.

For example, look at Nancy Tietjen of Minneapolis. Six years ago, she was packing shotgun shells on an assembly line, making much less than \$100 a week, living in a one-room apartment, and supporting two teen-aged daughters.

Nancy went to a Mary Kay beauty show one night, watched the consultant-saleswoman in action, and said to herself, "Hey, I can do that." She did. She became a consultant, taught other women how to use Mary Kay products, and recruited enough con-

sultants to become a director. From there she expanded into developing more than ten separate sales organizations. Today she is a national sales director. Her monthly checks from her business average \$10,000.

Ruell Cone of Atlanta also had faith in Mary Kay. Ruell's parents were sharecroppers who wanted something better for their daughter, and managed to help her get a college education. Despite that degree, she was working in a restaurant for a pittance when she was invited to a Mary Kay beauty show. Ruell caught on like "Saturday Night Fever." Today she is a national sales director and the owner of an opera-length ranch mink coat because the sales organization she built did more than \$500,000 in sales last year.

Then there is Helen McVoy of Dal-

las, who joined Mary Kay Cosmetics ten years ago because she wanted her own money to buy ivy—those little pots of ivy seen at supermarkets.

Her husband, an accountant, objected when Helen brought home pots of ivy mixed in with the groceries. He felt that the plants should not be part of the grocery bill. Helen decided she needed some pin money. Today she, too, is a national sales director; her pin money hovers around \$100,000 a year, and she has pots and pots of ivy.

As Mary Kay has always said: "Success depends on a woman's confidence. That success, however small or large, must be followed by another success. You can't rest on your laurels in this company. Because nothing wilts faster than a laurel rested upon."



asked Mel what kind of a house we should build, and he pulled out the identical picture I had cut out of an architect's magazine years ago. He had cut it out, too.

#### **Do you feel strongly about women not just staying at home?**

Yes, I believe there are many women who are just too smart to be scrubbing floors. You know, women can do anything, once they set their minds to it.

Everything in this company is intimately oriented toward women. Oh, of course, we do have a line of skin-care products for men—called Mr. K. But there is hardly a word in the company's sales literature about "he." It's nearly all "she."

Women generally lack confidence in themselves. Most women haven't had a round of applause since they graduated from school. When a woman joins our company, we immediately begin to instill confidence in her. The way we do it is by one tiny success after another.

If she has a good beauty show, we pin a ribbon on her and tell her how good she is. And if she falls on her face, we tell her how gracefully she fell, and

we help her up again. We praise women to success.

#### **Are there any male consultants?**

We have three male directors now, and we have had close to 2,000 male consultants at one time or another. We certainly cannot discriminate. But men encounter problems. It's a difficult role for men. If a hostess tells her husband that some woman is coming over to show her and her friends how to give themselves facials, he probably won't even register that he heard. But tell him David is coming over, and he'll say: "David, who's David?"

#### **Your company showed a 28 percent sales growth in 1976, but only seven percent last year. What happened?**

Well, 1976 was an exceptional year. We had a price increase, and we told our consultants it was coming three weeks in advance. They bought everything we had, emptied the shelves. Women love bargains. We did \$9 million in less than a month. During 1977 we had to work hard to increase sales seven percent over a 28 percent increase the prior year. That's an unfair comparison. If the growth figures had

been 17 and 18 percent, they still would have added up to 35 percent over the two-year period, and nobody would have taken any notice.

Of course, with only seven percent growth last year, that gave us an opportunity to buy back some of our stock, especially stock owned by the institutional investors. We bought back 800,000 shares.

#### **What are the prospects for this year?**

The first quarter was a disaster. The weather in January and February was not conducive to our type of selling. I believe the rest of the year will be much better.

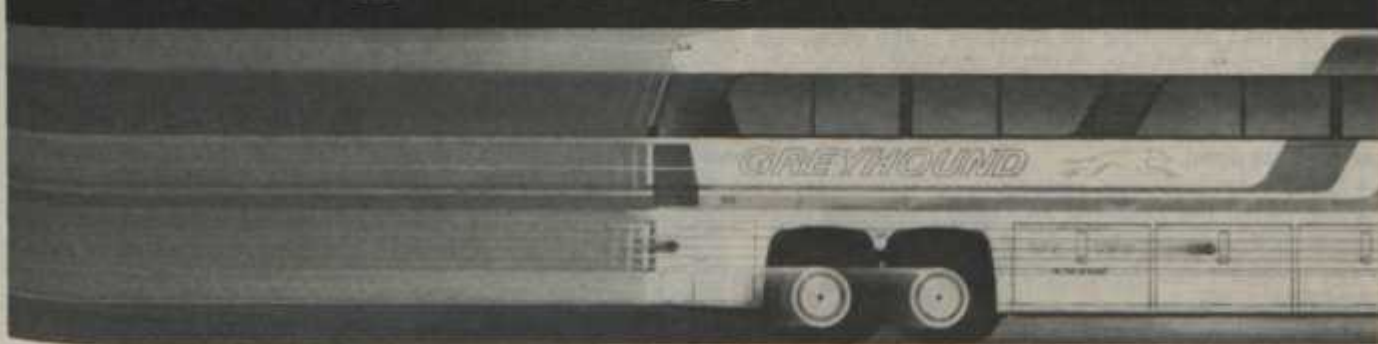
#### **What do you see for the company in the years ahead?**

Our sales last year were \$47,856,000, and our net income was \$6,152,000. You may have noticed the empty space in this new building, which we paid for as it went up. That's our expansion room. Our facilities are now ample for \$100 million in sales. So we have room to double, and we will. □



To order reprints of this article, see page 66.

# Fastest



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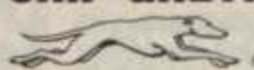
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### **SHIP GREYHOUND**





# A Battle Plan Against Inflation

**"A**merican business, workers, consumers, and government can and must work together to slow down inflation and yet maintain high employment and enhance freedom of individual choice."

With that declaration, the Chamber of Commerce of the United States has launched a major acceleration of its aggressive efforts to fight inflation.

The National Chamber's board of directors, a cross section of the American business community, at its most recent meeting unanimously endorsed a number of actions that could reduce the inflation rate by one half of one percent annually "until price stability is achieved."

The broad plan of action lists specific roles for government, employers, employees, and consumers.

Individual citizens are urged to insist that government:

- Reduce the growth of spending at all levels to a point where taxes do not increase faster than personal income.
- Reduce the federal deficit, with the goals of achieving a balanced budget and high employment.
- Slow money-supply growth to a point at which it matches potential growth in output.
- Encourage savings that provide the capital formation for expanding productive capacity, thereby creating more jobs and improving the standard of living.
- Foster a competitive economic climate that encourages competition and keeps prices down.
- Reject wage-and-price controls.
- Determine the potential economic impact, including inflationary effects, of any proposed new spending, taxing, or regulatory policies.
- Review current programs, policies, and regulations to determine whether they are still serving an essential purpose, and abolish those that are not.
- Eliminate or modify regulatory, tax, and spending policies that contribute to inflation.
- Encourage exports so that both American and foreign consumers and workers can benefit from lower prices and better jobs. Steps taken should include reduction of restrictions on foreign trade.



Chamber officials are escorted to the White House for inflation talks by Robert Strauss, the President's top inflation fighter (second from left). From left to right, Chairman Shearon Harris, President Richard L. Leshner, Vice President/Chief Economist Jack Carlson. Lee Kling, Mr. Strauss's assistant, is at far right.

In setting forth roles for nongovernmental action, the National Chamber board said that to increase productivity both employers and employees should review ways to reduce costs, conserve energy and other resources, and encourage innovation.

## Careful buying advised

Consumers, the policy statement said, should continue to make their buying decisions carefully, thereby increasing the purchasing value of their dollars.

While the various elements of society must make their contributions to the anti-inflation battle, the National Chamber board said, "American business must help provide the leadership for fighting inflation if the fight is to be won."

The business federation pledged to "tailor its programs and policies" to help achieve the goals of its anti-inflation program. That support will include "education, progress reports, and report cards on performance of responsible officials," the board announced.

The high priority the National

Chamber gives to the anti-inflation fight is also reflected in the activities of the federation's new board chairman, Shearon Harris, chairman of Carolina Power and Light Co.

Mr. Harris has been addressing, in a series of hard-hitting speeches throughout the country, the problem of "the single greatest economic and social issue of our time: inflation."

The National Chamber chairman says:

"President Carter has properly identified inflation as a critical issue, but his approach for dealing with it is to call for industry and labor to exercise voluntary controls, while giving only token attention to government's contribution."

"The glaring fallacy of the Carter approach is its failure to recognize the government's own contribution to inflation. The two principal governmental contributions... are the cost of regulation, which drives up the cost of virtually everything we buy, and federal deficit spending, which drives up the cost of money for other productive enterprises."





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# Try reading this by candlelight.



Americans have always been good at solving problems. Our economic and governmental systems have let us react rapidly to the country's changing needs.

Now we've got another problem. Energy. Our supplies of cheap fossil fuels are dwindling. The need to find and produce energy from all available sources is great. The solutions will cost more than we're used to. But the cost won't be catastrophic if the right choices are made at the right times.

Right now, all the experts agree that oil, gas and coal will be our main fuels for the next 20 to 30 years because that's what we're geared to use, and because it will take that long to phase in new energy sources.

Those experts also agree that an overall energy

policy is extremely important. That policy should include incentives for more U.S. energy development, such as deregulating prices to encourage domestic exploration and development. It should *reward*, rather than hinder, the U.S. energy producer. Finally, it should offer incentives for finding economical alternative energy sources.

The only way that can happen is for us to get concerned enough to tell our nation's leaders to quit playing politics and let American energy companies get on with their job.

Will we ever have to read by candlelight?  
It's up to us.

**Global Marine Inc.** 



# NONFOOD AGRICULTURE:

## Times of Change for Tobacco, Cotton, and Leather

Nation's Business  
**INDUSTRY  
SPECIAL  
REPORT**



By Michael Thoryn



Buffeted in the marketplace in recent years, tobacco, cotton, and leather have been important to the American economy since the time of the early settlers.

**A**GRICULTURE is one of the nation's most important industries, and food is a major export item, but down on the farm they grow more than food.

In fact, it was nonfood products from the virgin lands of North America that originally brought settlers to our shores. Demand in Europe for furs and hides to be converted to leather led trappers and traders to probe the wilderness and open the frontiers.

Competition for pelts helped to foment the French and Indian War and was the prime cause of later conflicts with Indian tribes—notably over the slaughter of vast buffalo herds on the prairies—and still later, of range wars between cattle ranchers and sheepherders.

When Columbus discovered America, he found the natives smoking the leaf of the tobacco plant. It became the first cash crop, served as money, and played a big part in financing the American Revolution. The need for labor-intensive cultivation and processing of the leaf was an important factor in the growth of slavery. And because tobacco was a rapacious soil depleter—it exhausted the soil in a few years in those prefertilizer

times—its cultivation induced westward migration.

The cotton gin, an American invention, spurred the growth of the textile industry, and cotton became king in the South. Like tobacco, cotton farming then was highly labor-intensive, increasing the value of slaves and helping to precipitate the Civil War.

Today leather, tobacco, and cotton are still of vital importance to the economy. Together they account for about 1.4 million jobs and more than \$33 billion in annual sales out of a total of \$200 billion-plus for U. S. agriculture.

### Today's tobacco wars

But their growth prospects are not the brightest in the agriculture industry. Cotton and leather are beset by synthetics, imports, and stringent government regulations. Tobacco faces health fears which now have produced an army of militants who believe that having to breathe tobacco smoke is an infringement of their individual rights.

The clouds that hover over tobacco are the best-known.

There is openly declared war between

smokers and nonsmokers and between federal officials and the tobacco industry. Oddly enough, in this emotion-charged atmosphere, even Uncle Sam is ambivalent—the Department of Health, Education, and Welfare campaigns against smoking, particularly by teenagers, while the Department of Agriculture conducts a price-support program to protect tobacco growers.

In some respects, the emotional controversy over smoking has started as big a brouhaha as liquor once did. While militants haven't taken axes to tobacco shops as Carry Nation did to saloons, they are heaping verbal abuse on smokers in public places. Some go further.

Last year in St. Paul, Stephen Wrbanich, a paraplegic, was waiting to compliment Minnesota's governor on an executive order dealing with access to government buildings for the handicapped. Also waiting to see the governor was a woman taking part in an antismoking campaign. She marched across the waiting room to Mr. Wrbanich's wheelchair and demanded that he put out his cigarette.

Mr. Wrbanich complied, but only after





taking one more puff. His compliance wasn't speedy enough for the antismoking activist, who angrily doused him with a glassful of lemonade.

Smokers, too, can react emotionally. At an outdoor auction in Northern Virginia recently, a smoker was standing alone in the middle of an open field when a nonsmoker came up and asked him not to smoke. The smoker sent the nonsmoker scuttling away when he threatened to punch him out.

#### Sunny skies in the past

Once there were no such controversies in Virginia.

In 1612, John Rolfe, better known as the husband of Pocahontas, grew a hundred pounds of tobacco in Virginia and shipped them to England. From that beginning, tobacco sales assured the economic health and continued existence of Jamestown, the first permanent English settlement in what is now the United States.

At the start of the American Revolution, tobacco was the colonies' leading export. Many of our founding fathers, such as George Washington and Thomas Jefferson, were tobacco planters.

Today the tobacco industry continues to have a major impact on the U.S. economy. Grown from seeds so tiny that a teaspoonful will sow one and a half acres, tobacco is cultivated on approximately 300,000 farms—most of them small—in 22 states.

It is the leading cash crop in North Carolina, Kentucky, and South Carolina and ranks high in Virginia, Georgia, and Tennessee. Nationwide, it is the fifth largest cash crop after corn, soybeans, wheat, and cotton.

More than 500,000 farm families are involved in tobacco production, and approximately 76,000 people are employed in the manufacture of cigarettes; cigars; pipe, chewing, and roll-your-own tobacco; and snuff. And despite health warnings and exhortations from public

officials and the medical profession, more than 50 million Americans smoke.

The most popular tobacco product is the cigarette. Since the invention of cigarette-making machinery in the 1870's, American cigarette consumption has multiplied 133 times as fast as our population. Of the \$17 billion spent on tobacco products last year, \$16 billion was for 626 billion cigarettes.

#### Cigarettes loom large

The \$17 billion is about 40 percent of the sum spent on new cars and about the same as the amount spent for radios, televisions, records, and musical instruments combined.

Cigarettes are among the most highly taxed consumer products in the country, and the taxes on them fuel all levels of government. Since the first federal tobacco tax was imposed in 1864, such levies have added \$125.2 billion to government treasuries.

Last year these taxes came to about

## PRODUCTIVE FARMS: Taking a Larger Role in the U. S. Economy

The importance of American agriculture—whether it is agriculture that produces tobacco, cotton, leather, and other nonfood items, or whether it is the even larger segment of the economy that produces food—can hardly be overstated.

Despite ever-present problems with weather, pests, an uncertain market, and increasing government red tape, the American farmer has given consumers abundant food at generally low prices.

U.S. agricultural production is so great that the products from nearly one third of the nation's harvested acres are exported. The foreign exchange earnings of these exports—\$24 billion in 1977 with a \$1 to \$2 billion improvement expected in 1978—have paid for a large part of the oil imports of recent years.

Secretary of Agriculture Bob Bergland says: "American agriculture and agricultural trade are playing a larger role than ever before in this country's economic life. . . . Agriculture is a bulwark of the U.S. economy. Our 2.7 million farms constitute one fifth of all private business in this nation."

Secretary Bergland predicts net income this year will be about \$5 billion



Fertilizer, crucial in maintaining crop yields, is sprayed over an Indiana cornfield. Efficient machinery helps to keep farm productivity high.

higher than last year's \$20.4 billion. This would make it the largest since 1974 and the third highest in history.

A quick look at the American farmer shows these long-term trends:

- Decreasing farm population. The 7.8 million persons on farms last year was 19.6 percent less than in 1970.
- Growth in the size of the average farm. In 1870, it was 153 acres; now it is 400.
- Almost-continuous farm labor productivity increases—36 percent since 1970—largely due to more efficient farm machinery and increased use of fertilizers.

This has been a down year for many fertilizer firms, but D.W. Calvert, president of Agrico Chemical Co., a Williams Co. subsidiary, says: "Commodity prices are up from a year ago, and this is an incentive to the farmer to fertilize more this fall and next spring to keep yields up."

Chamber of Commerce of the United States agriculture expert E. Clinton Stokes looks at the big picture. Mr. Stokes says: "There are areas in other countries where there is higher output per acre, but the U.S. has the largest block of productive land in the world."



\$6.2 billion, with more than half going to states and localities, where taxes range from a low of two cents per pack in North Carolina, the leading producer, to 23 cents in New York City.

This price differential encourages cigarette smuggling—or "bottlegging"—across state lines. In New York, for instance, authorities estimate that one of every four packs sold in the state has been smuggled.

### Slow domestic growth ahead

While China produces more in pounds, American tobacco is worth more in dollars (see chart, page 56). American-blend tobacco is highly desired by foreign smokers. As a result, the industry contributed a net of \$1.36 billion to the nation's balance of payments account last year.

About 35 percent of the U. S. crop has been exported in recent years, with the largest markets in Japan, West Germany, and Britain.

Most observers now say the smoking and health controversy, stemming largely from the 1964 U. S. Surgeon General's Report on Smoking and Health, had dimmed chances for substantial growth in domestic volume.

After a study of stacks of medical literature, the report concluded: "Cigarette smoking is a health hazard of sufficient importance in the U. S. to warrant appropriate remedial action."

In 1966, federal regulators required a warning label on packages, and cigarette advertising on television was banned in 1972—but not pipe tobacco or cigar advertising.

Morgan V. Hunter, president of R. J. Reynolds Tobacco, domestic tobacco subsidiary of Reynolds Industries, Inc., says: "We expect the industry will grow at a very modest rate in the next five years. In recent years, the market has grown one and one half to two and one half percent yearly in volume. Our forecasts call for the market to grow one percent or just below in the years immediately ahead."

### Innovative marketing

Intense competition and innovative marketing are traditions in the tobacco industry.

Back in 1860, Lorillard marked its 100th anniversary with Century, a fine-cut tobacco for the hand-rolled cigarettes of the time. One hundred dollars was slipped at random into one of the packs of cigarettes produced each day. Sales soared until frowning authorities concluded the practice was too close to being a lottery.

In 1914, R. J. Reynolds, now the largest U. S. tobacco firm, pioneered modern-day product introduction campaigns by spending \$250,000 to herald Camels, which then sold for ten cents a pack.

In the past two years, domestic companies have fought for a piece of the mushrooming low-tar, reduced-nicotine cigarette market. These filter-tipped brands accounted for less than 11 percent of the total U. S. cigarette market in 1975. Last year, their share climbed to 25 percent. Industry analysts forecast they will capture 40 percent of the market by 1982 as smokers abandon well-established "full-flavor" brands for the new brands or low-tar versions of existing brands which contain 15 or less milligrams of tar.

Much of the low-tar growth must be credited to increasing concern about health—the American Cancer Society says the low-tar cigarettes are less likely to lead to heart or lung disease. However, tobacco executives say that smokers

PHOTO: BLACK STAR



HEW Secretary Joseph A. Califano, Jr., leads a federal antismoking campaign.

also are responding to a nationwide trend toward milder or smoother-tasting products, such as wine and light beer at the expense of distilled spirits.

Smokeless tobacco products have also benefited from this trend. U. S. Tobacco Co., whose Happy Days and Skoal brands of chewing tobacco and snuff can still be advertised on television, reports record-breaking sales for the tenth consecutive year.

Since domestic cigarette volume is growing slowly, firms are looking abroad. Philip Morris, Inc., the second largest domestic firm, has been the leader in tapping the enormous foreign market, which is almost six times larger than the U. S. market and growing faster.

The company enjoyed a 24.5 percent gain in foreign sales last year, to \$1.35 billion. Philip Morris International, which has affiliates and licensees operating in

44 countries and territories, employs 26,000 people.

Reynolds got started later, but its sales abroad topped \$1.2 billion last year, a gain of 14 percent. "International sales are a real area of opportunity," says G. Dee Smith, president of R. J. Reynolds Tobacco International. "We look for continued volume improvements."

### Trouble abroad

However, he says, Reynolds confronts problems abroad that include:

- High excise taxes—70 percent of the package price in Brazil, for example.
- Anticigarette legislation—strongest in Scandinavia.
- Difficulties in breaking into large government-controlled markets, such as Japan's.
- Production troubles caused by package-size variation. "In Canada and Holland cigarettes are sold in both 20's and 25's," Mr. Smith says. "You find



Morgan V. Hunter of Reynolds Tobacco sees slow domestic volume growth ahead.

sevens, nines, tens, 12's, and maybe 14's in Malaysia."

All the U. S. tobacco companies have diversified. Horace R. Kornegay, president of the Washington-based Tobacco Institute, an industry trade association, says that since domestic volume and profits are stable, growth must come from diversification.

### Diversification varied

Philip Morris owns Miller Brewing Co. and Seven-Up Co. Reynolds is in frozen foods, containerized shipping, and aluminum products. The Liggett Group, parent company of Liggett & Myers Tobacco Co., owns Alpo dog food and Wild Turkey bourbon.

The antismoking movement may have stunted the growth of cigarette consumption—6.5 percent fewer cigarettes were smoked per person in the U. S. last



## TRADE TALKS: Textiles Are Seeking Protection

Makers of textiles, first protected from foreign competition by a tariff in 1816, want to be exempted from multilateral trade talks under way in Geneva. The talks could lead to what domestic textile firms fear most—reduced textile tariffs.

However, U.S. negotiators at the talks say lower barriers are needed to facilitate fair trade, thereby maximizing the international movement of goods and services.

Frederick W. Stokeld, Chamber of Commerce of the United States expert on international economic policy, says: "The urge to pull back and build walls around this country is as great now as it ever was. To derive the worthwhile benefits of fair trade, other countries must be as receptive and open as we have been. Unfortunately, in recent years, other major trading nations have not followed the American efforts toward reciprocity."

Robert S. Small, president of the American Textile Manufacturers Institute and chairman of Dan River, Inc., says lower tariffs would be a blow to the large U.S. textile industry.

"We are convinced that tariff cuts would create serious problems for the industry, ultimately causing a great loss of jobs and undermining the textile program as provided under the Multifiber Arrangement," he says.

The arrangement, a series of agreements limiting textile imports from low-wage nations, expires in 1982.

Ambassador Robert S. Strauss, President Carter's special trade representative, insists textiles must be part of the Geneva negotiations, now centered on agricultural exports, if the talks are to succeed at all.

A bill introduced by Sen. Ernest F. Hollings (D.-S.C.) would grant textiles, which the senator calls "fundamental to the well-being of America," automatic exclusion from future tariff reductions.

Such legislation is considered to have little chance this term, but it has considerable support both from business and organized labor.

At a joint press conference on Capitol Hill recently, Du Pont Chairman Irving S. Shapiro and AFL-CIO President George Meany said something must be done to curb textile imports. Mr. Shapiro said companies like his would find it difficult to invest in textile expansion "in the face of continued signals from our government that the domestic textile and apparel industry is being allowed to wither away." Mr.

PHOTO: BLACK STAR



Trade negotiator Robert S. Strauss

Meany said 20,000 textile and apparel industry jobs are being lost yearly.

Domestic farm price supports are another, less-debated, form of protectionism.

The tobacco price support program—really a loan program to farmers—is criticized by antitobacco forces as a subsidy program. However, since tobacco usually sells above the loan price, the government says the program has cost only \$52 million since it was initiated in 1933.

President Carter, whose home state of Georgia is a large tobacco producer, is in the price support camp. "The tobacco support program will not be abolished while I am President," he says.

year than in 1963—but tobacco industry executives tend to view such troubles as not peculiar to their industry. Says one executive:

"Automobiles, petroleum, chemicals, pharmaceuticals, liquor, wine—I can't see any industry that isn't subjected to enormous adverse pressure by either public-interest groups or some branch of government. There is almost no place to hide today if you are involved in a major business in this country."

### Public health: pro and con

Certainly government is an adversary. HEW Secretary Joseph A. Califano, Jr., assumed leadership of antismoking forces in January when he labeled smoking "preventable public health enemy number one" and, with evangelistic fervor, announced a \$30 million campaign largely aimed at teaching teenagers the hazards of smoking.

A long-standing critic of tobacco, the

American Cancer Society, contended in a recent study that health costs connected with smoking outweigh tobacco revenues. The study estimates that ten percent of total yearly U.S. medical and hospital bills, now topping \$180 billion, are attributable to tobacco-related illnesses.

Mr. Kornegay, of the Tobacco Institute, responds: "The case against smoking is based almost entirely on statistics. A number of respected scientists do not believe a causal relationship between smoking and illness has been established."

In a world full of dangers, he notes, "researchers have built a list of carcinogens as long as my arm—fried hamburger is the newest addition."

And in testimony to a House subcommittee, Mr. Kornegay called for courtesy and toleration between smoker and non-smoker. He cited a press conference in which President Carter said it was not

the responsibility of the government to "tell a particular American citizen whether he can or cannot smoke."

### Cotton's importance

While tobacco traces its history back to ritual use by native Americans, cotton, the world's most valuable nonfood agricultural commodity, has been found in tombs in India dating to 3000 B.C.

Synthetic fibers were not in sight when cotton became king in this country.

Eli Whitney got the idea for the crucial invention, the cotton gin (short for engine), when he observed the slow and laborious process of separating cotton fiber from seed by hand on a Georgia plantation. In 1793, he patented a machine to do the job 50 times faster.

Despite war and the boll weevil and other insect pests, cotton dominated fiber markets through the 1960's. Cottonseed is also important commercially for its oil, which is used in salad and cook-





A statement from Lewis W. Lehr, President, U.S. Operations; James A. Thwaites, President, International Operations; Raymond H. Herzog, Chairman of the Board.

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# The cash register of Nettie's speaks to the computers of Needham.



(Frank Kirtner Jr., Vice-President of Nettie's Flower Garden, wreathed in smiles.)

"Contrary to popular belief, life in the flower business is no bed of roses.

"It's a jungle out there.

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"So, like my competition, I depended on radio, local newspapers and the inevitable neighborhood grapevine.

"But as my business began to branch out from corsages to conventions, bouquets to banquets, I wanted a media buy that would reach more successful businessmen without nipping too far into my advertising budget.

"Then last year, my advertising agency—Harris McKenna Meng—told me about MNI.

"Magazine Networks, they said, is an inexpensive way to buy national upscale magazines in compatible local groups. With networks you can choose demographically,

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"So in the past year, ads for Nettie's appeared in magazines like Time, Newsweek, U.S. News & World Report, Dun's Review, Nation's Business, Sports Illustrated, Business Week and, of course, Money.

"And our business has grown bigger than ever, while—unfortunately—the flower industry in general has wilted slightly. If there's a smell sweeter than roses, it's success."

If you want to find out more about Magazine Networks and how it can be used for heavy-ups, test-marketing or special promotions, call Jim Hagan at (213) 478-2596.

**There's a lesson to be learned  
from a man who buys  
media with his own money.**



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The tanning of leather begins with the commercial slaughter of cattle. More than half of all hides are exported.

PHOTO: KERRY—SYGMA



Imports have plagued the domestic footwear industry in recent years, but a cowboy boot made in Texas has a special appeal. (Above) A Fort Worth production line being inspected.

Mechanical harvesters, like this one from International Harvester, (left) use suction to pick cotton. The 1977 cotton crop was the largest since 1965.

PHOTO: J. P. KATZ—SYGMA



Spinning fiber is the final step in yarn production. About a quarter of the fiber used in U. S. mills is cotton.

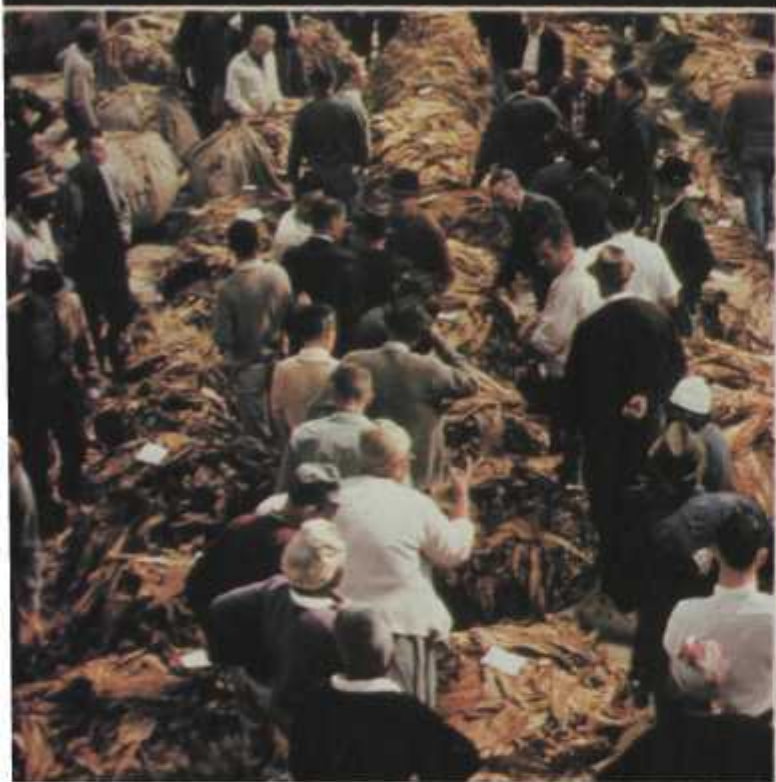
PHOTO: JOHN KENNEDY—SLATEL STAFF



It takes a forklift to move a 500-pound bale of cotton. The U. S. exported 4.8 million bales in 1977.



(Right) Tobacco growing on 300,000 small U. S. farms is labor-intensive work. It takes 270 hours to produce and market a single acre; wheat requires only 3.5 hours. About three acres per farm is devoted to tobacco.



As they have in the past, growers still deliver their tobacco to aromatic warehouses (above) for sale to the highest bidder.



Cigarette manufacture (above) begins by separating the dried tobacco, which has aged in wooden hogsheds.



Cigarette production is highly automated. At a R. J. Reynolds cigarette plant in Winston-Salem, N. C. a single machine can produce more than 4,000 cigarettes per minute.



Beset by slow domestic volume growth, U. S. firms are pursuing sales in faster growing foreign markets. In Hong Kong, vendors stock prize American brands.



# How to form your own corporation without a lawyer for under \$50<sup>00</sup>

By Ted Nicholas



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Mr. Nicholas has been to the White House to personally meet with the President of the United States after being selected as one of the outstanding businessmen in the Nation. ©Copyright Enterprise Publishing Co. 1978





ing oils. The meal and hulls, remaining after oil is extracted, are used as animal feed.

Leading cotton growing states today are Texas, California, Mississippi, and Arkansas (in that order). Textile and apparel plants using cotton and other fibers employ one out of every eight factory workers. The plants are concentrated in the Carolinas, Georgia, New York, Pennsylvania, and California.

#### Man-made vs. nature

But beset by a steady stream of attractive man-made fibers and prickly government safety and health regulations, cotton's share of fiber used by

offered the consumer durability and easy care. To the manufacturer, they offered more supply stability than was available from cotton, a commodity dependent on favorable weather.

#### Quarrel with OSHA

Compounding cotton's problems are stringent federal regulations. Cotton manufacturers and the Occupational Safety and Health Administration reached a quarrelsome compromise in June over a standard to reduce cotton dust, which can lead to a respiratory ailment commonly called brown lung.

OSHA, with input from the White House, decided to allow respirators and

says, and as many as 5.5 million bales of this year's 12 to 13 million bale crop may be sold abroad.

Textile manufacturers can justifiably complain about the volume of imported finished goods. The same is true in leather.

The U. S. trade position in leather and leather products has deteriorated—the country has become a net exporter of raw materials and an importer of finished goods from developing nations.

From 1967 to 1977, the deficit in the balance of trade in hides and skins, leather, and leather products—including nonrubber shoes and slippers, luggage, and purses—grew from \$288 million to \$1.7 billion.

#### Foreign dominance

Because of substantially lower labor costs—all leather products are highly labor-intensive—and because producers are often subsidized by their governments, countries such as South Korea and the Republic of China dominate the large U. S. market. And despite international marketing agreements, their volume and market share continue to grow.

Arthur Golden, chairman of the Tanners Council of America, describes the U. S. as "the only large hide producer that continues to permit access to its raw materials." He explains that "countries that produce most of the world's cattle, such as Russia, India, China, and Pakistan, forbid hide exports."

U. S. exports of cattle hides last year totaled an estimated 25.8 million, or 63 percent of domestic production from commercial slaughter.

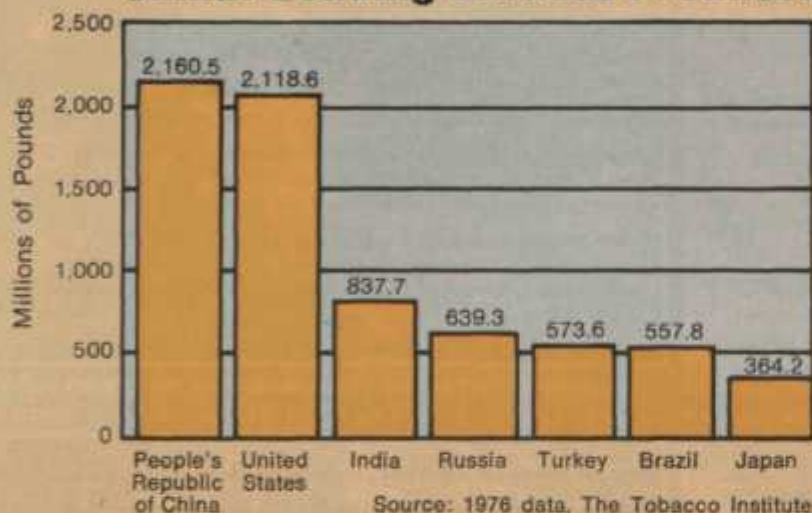
High export duty rates abroad—20 percent for Japan, 16 percent for Brazil, and 90 percent for Argentina, compared with a five percent rate on U. S. cattle hide—make U. S. raw materials more attractive to the international buyer. Also, according to the Tanners Council, this makes the U. S. susceptible to leather shortages should Third World expansion of leather production continue at its present high rate.

#### Increased sales seen

However, the Department of Commerce expects that the tanning and finishing industry—which is centered in Massachusetts, Wisconsin, and Maine—will have moderate growth in the next five years. The prediction is pegged on industry efforts to develop foreign markets and increase exports.

Overall U. S. leather and leather product shipments last year were estimated by the Department of Commerce at \$6.8 billion, down one percent from 1976. To-

### China: Leading Tobacco Producer



U. S. mills slipped to a record-low 26 percent last year. Man-made fibers accounted for a commanding 73 percent, and wool and silk, the remaining one percent.

Imported textiles, mostly coming from the Republic of China (Taiwan), South Korea, Japan, and the British colony of Hong Kong, have taken almost 20 percent of the domestic textile and apparel market. In many product lines, such as men's shirts, 50 percent are imported. For sweaters, the figure rises to 80 percent.

The Far East, where wages are low, bought a large amount of the 4.8 million bales of cotton the U. S. exported last year to keep its factories running. The American Textile Manufacturers Institute claims more than 200,000 textile and apparel jobs have been lost to imports, and it calls for stiff import curbs on finished goods.

Inroads of man-made fiber have been steady since 1939, when Du Pont introduced nylon, the first fiber produced completely from chemicals. Synthetics

other approaches while expensive engineering controls opposed by the industry are phased into spinning and weaving rooms within four years.

#### Higher exports

There are bright spots amidst cotton's problems. It is still the most commonly used fiber, with 51.9 percent of the world market. In the U. S., with consumers showing a preference for natural products, a rebound is possible.

Denim and corduroy, both cotton products, continue as strong sellers, and industry marketing campaigns have recently emphasized cotton's comfort and new easy-care blends.

Russell G. Barlowe, a Department of Agriculture fiber analyst, has good news for cotton growers. "We have detected a trend in some countries to shift from cotton production to food production because of population pressures," he says. "As land is taken out of cotton, countries are turning to the U. S. to supply their needs."

Exports are going up, Mr. Barlowe



tal employment dropped about 6,000 to 237,000, due mainly to a decline in the number of shoe workers.

The government has begun a \$56 million consultation and loan program to aid the battered U.S. shoe industry. One sign of distress: Imports command 63 percent of the athletic footwear market, leading one well-known maker, Keds, to announce that it will discontinue U.S. production.

Like cotton, leather has a strong market among people who prefer natural materials to synthetics. Some observers say demand from a growing world population could outstrip supply in the next 20 years.

As James H. Casey, Jr., executive secretary of the National Association of Glove Manufacturers, puts it: "The demand for leather throughout the world is perhaps the highest in history. The animal production is not keeping up with population increases in many countries. This means there is a scarcity of raw materials from which we make leather."

#### Enduring appeal

Tobacco, leather, and cotton, nonfood products from the farm, have an enduring appeal. All are important contributors to the U.S. economy.

Though their crop is no longer "king," cotton growers and manufacturers will

probably benefit in the years ahead from a rising consumer preference for natural fiber.

The leather industry, staggered by imports but with a strong base of raw hides, will try to tool up to export more finished goods.

Tobacco will certainly continue to produce both satisfaction and animosity. "Tobacco has always been valued and vilified," Horace Kornegay says. "But antismoking prejudice, which is as old as smoking itself, has never been able to win a decisive victory." □



To order reprints of this article, see page 66.

## TOBACCO'S FUTURE: A Protein Source and a Safer Smoke?

Before tobacco became widely known for its aromatic smoke, it was thought to have medicinal value. For example, Jean Nicot, the 16th century Frenchman for whom nicotine was named, recommended powdered tobacco to his queen to combat migraine headaches.

Now there is again a possibility that tobacco will yield an important extra benefit. Within 25 years, the leaf could be a vital protein source.

Indeed, tests by researchers at the University of California at Los Angeles suggest that protein from tobacco leaf offers more nutritional value than animal protein. And an Agriculture Department scientist anticipates a healthy by-product—safer smoking tobacco.

The protein, called fraction-1, was discovered in 1947 by Dr. Samuel G. Wildman, a UCLA biology professor. It is the single most abundant leaf protein known, but only from the tobacco leaf can it be extracted in a pure, crystalline form. The resulting white powder, both tasteless and odorless, could become a dietary supplement in beverages, soups, cereal products, flour, and other foods.

A plus for tobacco-derived protein is the potential yield compared to other plants. For instance, the protein yield per acre from tobacco is four times greater than that from an acre of soybeans, researchers say.

Anticipated uses for fraction-1 protein include a milk substitute for in-

fants allergic to cow or soy milk products, a liquid protein diet supplement, and the protein source in special diets for patients with kidney diseases or similar health problems requiring controlled mineral intake.

Dr. Wildman and Dr. Benjamin Ershoff, a medical research nutritionist at UCLA, are studying a process which will economically produce the protein on a commercial scale.

The protein, which would be extracted from young tobacco leaves, instead of the traditionally harvested mature leaves, would not contain any nicotine. The remaining residue, a tobacco pulp, would, however, be lower in tar and nicotine than mature tobacco and could be used in cigarette making.

Dr. Ershoff says: "It can be processed to produce material similar in color, texture, and taste to various blends of smoking tobacco."

Such a method, combining protein extraction with reprocessing the remaining material for safer smoking tobacco, is being investigated at the Agriculture Department Research Center in Beltsville, Md. Dr. T. C. Tso, the project director, believes that the technology will be available within 25 years, provided an agricultural appropriations bill now in Congress is passed, assuring \$3 million for continued tobacco research.

Development of Dr. Tso's method would establish tobacco as a versatile crop supporting a two-pronged, multibillion-dollar market. Sen. Jesse A. Helms (R.-N.C.), whose state has more than 150,000 farm families depending on tobacco, says: "We should give more attention to the studies of outstanding scientists who tell us that tobacco grown as a food crop will be one of the major agricultural products in the world."



This new mechanical harvester cuts the hours needed to pick tobacco. In the next 25 years, tobacco may be used as a source of protein as well as smoke.

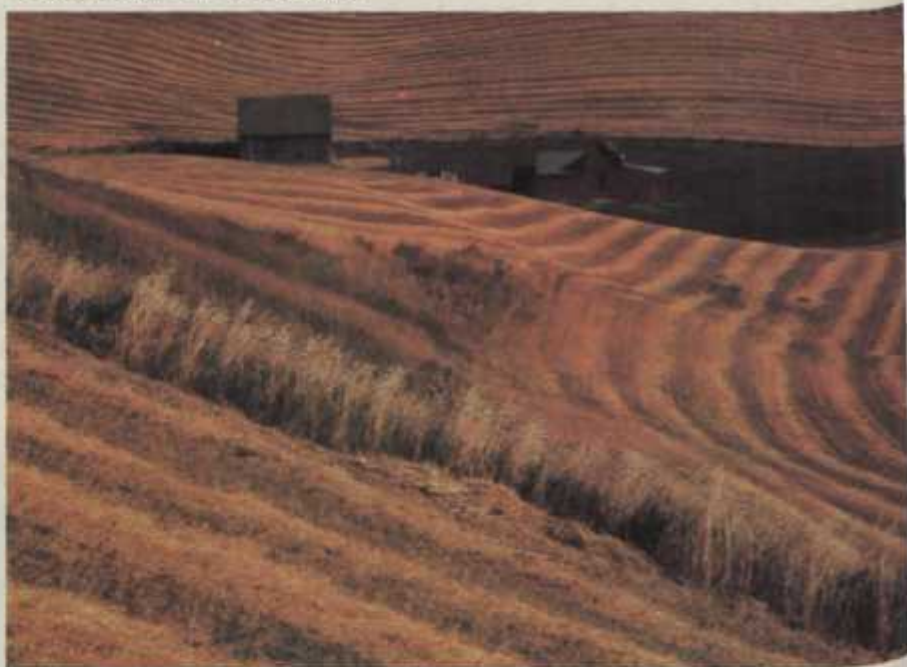


## Business Life-Style

*"Smoke Break"*  
by Paul M. Freeland

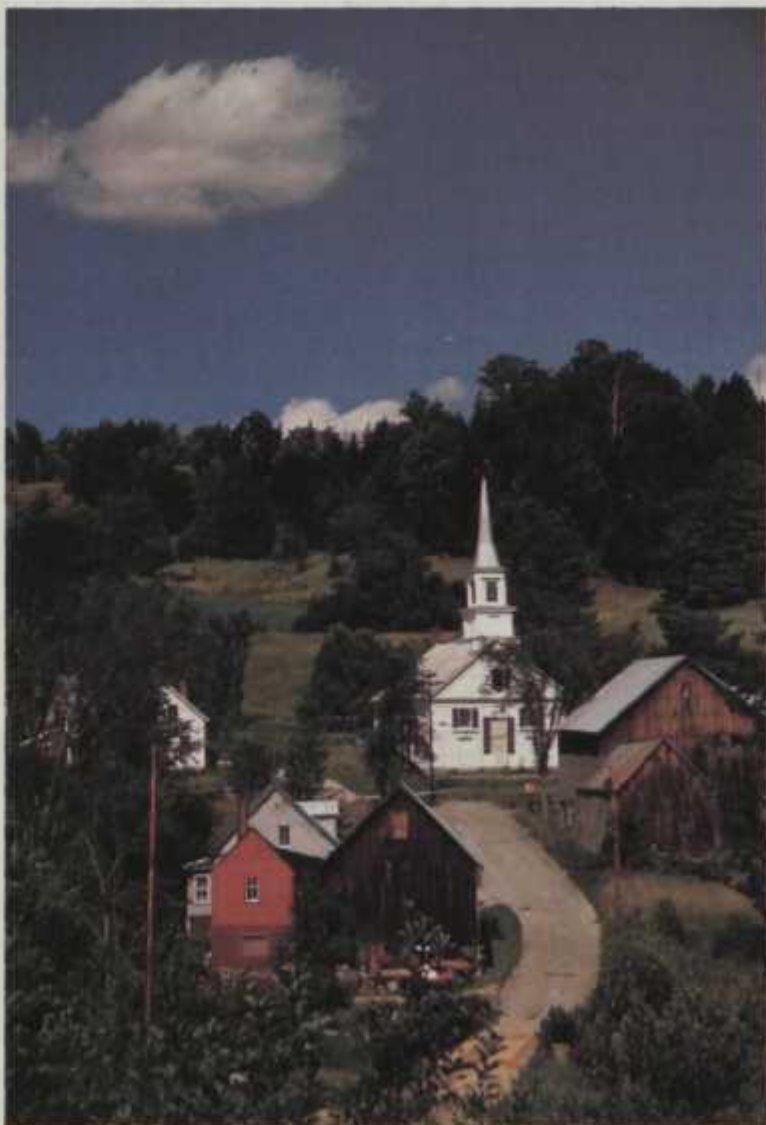


*"Golden Idyll"* by Jane Sibley



*"Black Swallowtail on Chrysalis"*  
by Robert G. Wagner

Each year entries like these are submitted to international competitions by the 18,000 members of the Photographic Society of America. There are 3.2 million American camera hobbyists who shoot millions of frames a year. Equipped with more than \$8.8 billion worth of cameras and supplies, they constantly click away, capturing the world around them. Their subjects? As varied as each buff's mood, method, and experience.



*"Vermont Scene"* by Arthur P. Henricks, Jr.



# What Makes Things Click in Photography

By John Costello

**B**EER drinkers and soft-drink fanciers owe a debt of gratitude to John E. Walsh.

Jack Walsh was the inventor of the original pop-top can.

But to some people, the fact that the inventive engineer is one of those responsible for that convenience is perhaps the least of his claims to fame. In photographic circles, John and his wife, Lillian, are known as top-notch nature photographers.

Both are ranked in the "diamond star" class by The Photographic Society of America, Inc. They are one of the first married couples to achieve that distinction.

Jean Wagner, one of the custodians of the society's voluminous records and herself a photographer, explains what that ranking means.

"To reach it," she says, "you must have had at least 200 different pictures accepted in international competitions a total of 650 times or more."

The Walshes are among 3.2 million Americans who take photography seriously enough to be called photo hobbyists.

But there are many, many more who take occasional snapshots of wife or husband, the kids, the family dog or cat, or vacation scenes.

In fact, the Photo Marketing Association International estimates that 94.6 percent of all American families own at least one camera.

They support a big industry that is growing bigger.

In 1976, more than \$8 billion worth of photographic equipment and supplies—including imports—were sold in the U. S. Last year, the total reached \$8.8 billion.

Both figures come from the "1977-78 Wolfman Report on the Photographic Industry in the United States."

If 95 families out of every 100 own a camera, photography must be one of the most popular forms of amusement ever devised. Although the photograph is commonplace in society today, it wasn't always so.

No one knows how the primeval seafood fancier felt when he or she downed the first raw oyster. Or what went



through the caveman's mind when he saw his first giraffe or elephant.

In the history of man, there are many unreported firsts. But we do know how one of our species felt the first time he laid eyes on a photograph.

Here's how Lewis Gaylord Clark, editor of "The Knickerbocker" magazine, raved, as reported in the classic work, "Photography and the American Scene":

"We have seen the views taken in Paris by the daguerreotype and have no hesitation in avowing that they are the most remarkable objects of curiosity and admiration, in the arts, that we ever beheld.

"Their exquisite perfection almost transcends the bounds of sober belief. Let us endeavor to convey to the reader an impression of their character.

"Let him suppose himself standing in the middle of Broadway, with a looking glass . . . in which is reflected the street, with all that therein is, for two or three miles, taking in the haziest distance.

"Then let him take the glass into the house and find the impression of the entire view, in the softest light and shade, vividly retained upon its surface.

"This is the daguerreotype! . . . There is not an object, even the most minute, embraced in that wide scope which was not in the original; and it is impossible that one should have been omitted.

"Think of that!"

Paul Delaroche, a famous French painter of his day, saw his first daguerreotype in 1839 and threw up his hands. "Painting is dead from this moment on," he said.

Maybe 40 million Frenchmen can't be wrong, but this one was.

Photography has not outmoded the easel, palette, and canvas. But it has given an artistic outlet to many who have never mastered oils, pastels, or watercolors.

"We paint with light, rather than oils," Jane H. Sibley says. An executive secretary at Security Insurance Group in



Hartford, Conn., Jane is a fellow of The Photographic Society of America. In international competitions, she has won "a dozen or so" gold medals.

Jane is a chip off the old block. Her father, head of his own company, Machinery Dealers, Inc., in New Haven, was a camera buff.

"He gave me my first camera 15 or 20 years ago," she says.

It was a birthday or Christmas gift—she can't recall which because she is one of those youngsters born in December who usually find gifts doing double duty.

"I think he wanted someone to go around with him," Jane says.

"We were a good foil for one another. He worked in black and white. I did the color.

"Our first camera excursion had to be the shore. That's where he always went. Most of his pictures are marines. I like that type of picture, but I shoot other things, too.

"There are always pictures to be found, if you look for them. Even in your own front yard."

**L**IKE many fellow hobbyists, Jane finds that a camera and travel go well together. She has taken her cameras to Japan, Hong Kong, and New Zealand, as well as to Greece, Portugal, and Spain.

Her favorite picture perhaps illustrates what she likes to get into her work—her own emotional reaction to a scene.

"I took it in Hong Kong many years ago," she says. "It's almost a black and white. It was taken late in the afternoon, with the junks out on the water silhouetted against the sinking sun.

"It was kind of a moody, stormy sky.

"Mood is one of the things I like in pictures.

"A lot of people put the camera away on a gray, rainy day. They wouldn't bother taking pictures in that kind of weather."

Not Jane.

"You can do a lot of things with rain and fog," she says.

A survey of Photographic Society of America members shows that 66 percent each year make one to three trips of a week or longer, with camera and film. Another 14 percent make four or more trips.

In the five years before the survey was taken, 35 percent had traveled abroad one to three times, and 18 percent, four or more times.

One third of the society's 18,000 members say they are retired. Three

fourths are college graduates. About one in five is a woman.

The members' median income is \$23,600. Income is important. Hobbyists may own anywhere from \$500 to \$5,000 worth of equipment.

**"O**NE THING led to another. . . ."

Ask a hard-core camera hobbyist how he or she got in so deep, and that's the reply you're most likely to get.

Take Arthur P. Henricks, Jr. Until last Dec. 31, he was president of the A. P. Henricks Co., Inc., Summit, N. J. Now he's a management consultant.

About 12 years ago, he says, he had a heart attack. His doctor recommended that he walk for exercise during his six-month convalescence.

"I bought a camera," he says, "so I'd have something to do besides just stroll around. I was living at the time in Maplewood, N. J., a very pretty, old town, and I'd take a picture of just about anything.

"Then, the first thing you know, you join a camera club, and you enter a contest and win a prize, and that encourages you to keep right on going."

**A**RT HENRICKS joined the Millburn (N. J.) Camera Club—and did win a prize. He remembers that first, prize-winning entry well.

"It was about six months after I bought my first camera," he says. "I was on a business trip to a little town down in southern New Jersey, below Atlantic City. The town was close to the seashore, so I stopped to enjoy the ocean views."

By now, he was carrying his camera on business trips.

"I took a picture of a gull flying off from a jetty. It looked like a moonlight scene. I used a fast shutter and a small aperture, and that darkened the picture and made the sun look like the moon."

Part of the picture's appeal may lie in its novelty.

A picture of a gull flying around in the moonlight is an unusual picture, Art concedes with a laugh.

One thing did lead to another. In his case, not only membership in The Photographic Society of America but, this year, the presidency.

**I**F ONE has the notion that hobby photography is a world populated with solitary nature lovers, reclusive bird-watchers, and loners whose horizons are bounded by a darkroom sink, that's the wrong impression.

PHOTO: ANDER DUSTUS—LENSMAN



Many a basement harbors a darkroom, where the hobbyist develops his own photos. Above, Thomas H. Saunders, a Washington consultant.

Camera buffs, like fishing fiends, tennis addicts, or golf nuts, enjoy getting together and chatting about their consuming passion.

For one thing, they compare notes.

"If you belong to a club," says Jane Sibley, "you learn—you see what other people are doing, you discuss your problems, and you exchange ideas.

"Photographers are great for that. They don't keep it under their hats. They'll share their knowledge with anyone."

How does she find time for it all?

"You don't find time," she says. "You have to make time."

**T**HAT may be more of a challenge for Paul M. Freeland than it is for some others.

Paul is vice president of International Crystal Manufacturing, Inc., Oklahoma City. He got into photography when he was a kid, growing up in Bristow, Okla.

"I had a cousin who lived next door, had a darkroom, and took pictures and developed them," he says. "So I took the back off an old Brownie box camera and kind of made an enlarger out of it.

"I just piddled and messed around



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with photography when I was in high school."

Today Paul displays a keener interest. He is a member of the Oklahoma Camera Club, Inc., which meets twice a month. Then there is a nature workshop he attends once a month.

Also once a month, he sets up a color print workshop in the family recreation room.

The upshot is, he says, "that once a week I'm dealing with photography."

Even that is a less-taxing schedule than he once observed. "I really got back into photography in 1967," he says. The reason: His father-in-law was active in the local camera club. So he and his wife joined.

"The first four or five years," he says, "I spent practically every night in the darkroom."

What's the payoff for that kind of dedication?

"Photography to me," he says, "is more than just taking pictures. One of the most rewarding parts is the people you're involved with and the camaraderie that develops."

"My wife enjoys it, too, getting out with a group of people who share so much in common. In the summer, we'll go out on field trips and, after it's too dark to shoot film, we'll sit around, grill hamburgers, and just visit."

You make friends from all over the world, hobbyists find.

Mention Robert G. Wagner, a camera enthusiast who lives in a St. Louis suburb, and Paul Freeland says:

"Bob Wagner! He's my old buddy."

**L**IVING IN Calverton Park, Mo., can be hazardous to the liberty, but not the health, of brightly colored, bizarrely designed leafhoppers and other tiny critters.

Photographing them is a specialty of Bob Wagner.

"All the kids in the neighborhood know the kind of pictures I take," he says. "So whenever they see an insect that looks unusual, they'll bring it to me."

Back in 1959, he recalls, a friend got him interested in nature photography.

Why insects?

"Because they're so available," he says. "They're everywhere. Besides, when I saw magnified, close-up pictures of insects, I was amazed by the beauty, the intricate designs, the lines, and colors of these tiny creatures."

Bob's studio occupies a ten-by-ten-foot space in his basement.

He poses his models there under simulated conditions that duplicate



PHOTO BY N. WEXLER—UNPHOTO



PHOTO JAMES BLUMBERG—UNPHOTO

their natural habitat. Bob, a manufacturer's representative, shoots all his subjects live—never under glass or mounted on a pin.

But don't some crickets, wasps, or hornets get a little frisky?

"Yes," he says, "but you can cool them down with a short stay in the refrigerator or calm them with a tranquilizing whiff of laughing gas."

He and his wife, Jean—"She's no camera-bag caddy"—do all kinds of nature photography. Both get a lot of pleasure out of it.

"I think the love of it," Bob says, "is what makes it worthwhile."

There are other compensations, too.

**T**AKE, for example, one sitting that Bob is particularly proud of.

"It was one of my first endeavors," he says. "A friend and I had captured the nymph of an annual cicada. When

(Left) The more affluent camera hobbyists travel to exotic spots for unusual subjects, such as this group snapping a lion near Ngorongoro, Tanzania. But for hobbyists of all ages and pocketbooks, one of the great advantages of photography is that suitable subjects are nearby. Above, a still life under way in a downtown botanical display.

that nymph comes out of the ground, this beautiful insect is about to emerge.

"The nymph finds a place where it can dig its claws in and grab on with a deathlike grip. Then metamorphosis will set in. The whole shell splits, and the insect emerges."

"At first, the wings will be very shriveled up, then they fill with fluid and these beautiful, translucent, iridescent colors come into the wings."

"All this happens in a period of anywhere from one to eight hours. When you're finished shooting, however, you've got the whole story of the emergence of the annual cicada."

And how does one while away the hours as the story unfolds?

"Well, my friend and I will have a beer or two—maybe a six-pack."

"It's not all just sitting there twiddling your thumbs." □



# The Bitter Fruit of Rent Control

By George Fowler

A growing national phenomenon  
is advocated as a way to help the poor.  
The evidence shows that it often  
harms them instead

**I**N AN AGE of wrenching social antagonisms, few economic issues can arouse more controversy—or be considered more significant—than whether or not to have rent control.

Rent-controlled housing is a growing national phenomenon.

Since August, 1973, following expiration of the Nixon administration's price freeze, some 250 local jurisdictions have enacted rent control programs.

These include localities in New York, New Jersey, Massachusetts, Connecticut, Maryland, and Alaska, as well as the District of Columbia.

Advocates of rent control haven't won everywhere—a number of localities have considered it without adopting it, and others, including Miami Beach and Montgomery County, Md., a Washington suburb, have dumped it.

## An eighth of rental units

But about one eighth of this nation's rental units today are subject to some form of rent regulation, and there are strong consumer pressures, in an inflationary era, to make rent control more widespread.

Rent control is a concept which began in Europe and then spread to America during World War I, in a move to shield departed servicemen's families and industrial workers newly drawn to the cities.

Debate over this emotional issue centers on whether selective rent control is fair and humane or damaging to

society in both its long and short-term effects.

Across the nation, advocates of rent control press for it as a method to assist low income households and the elderly in coping with shrinking real income. But many experts, looking at rent control's track record over the years, consider this a largely demagogic argument.

Neal R. Peirce, a highly respected urban affairs columnist and author of several books on contemporary American civilization, states: "Evidence continues to mount that rent control, however well-intentioned, distorts the operation of the free market and pits landlord against tenants while the supply of rental housing dwindles and deteriorates. Both in America and Europe, rent control has proven itself one of the bitterest fruits of government regulation."

Dr. George Sternlieb, director of Rutgers University's Center for Urban Policy Research, has an encyclopedic knowledge of the subject of rent control.

He told NATION'S BUSINESS that "the residential buying power of upper income Americans is going down, and therefore we're seeing a renewed interest on their part in rent control. Such people tend to know the evils of rent controls, the long-term destructive effects, but many have adopted an 'I'll-worry-about-posterity-tomorrow' attitude in view of their immediate concerns."

Dr. Sternlieb adds: "There is no doubt that rent control has been most beneficial to upper income tenants, and of course they invoke the rhetoric of the poor whenever they feel their privileged positions threatened. Rent control is a disease perpetuating itself, often through the instigations of a community's most influential members."

Prof. Assar Lindbeck, author of "The Political Economy of the New Left: An Outsider's View," writes that, "in many cases, rent control appears to be the most efficient technique presently known to destroy a city—except for bombing."

A wide-ranging study of rent control in the U. S. and Europe by the Council for International Urban Liaison concludes that control worsens housing shortages by discouraging private investment in new units; sometimes induces owner abandonment of properties, at least in the U. S.; and, to the detriment of those rent control is supposed to favor most, encourages a significant number of owners to convert rental buildings into other types of housing.

## The battle of Glover Park

A development that illustrates the latter point occurred recently in Glover Park, a middle-class residential neighborhood just north of affluent Georgetown in Washington.

Under rent control, tenants in controlled housing in the neighborhood



pay from \$139 to \$155 a month. William Walde, owner of a 95-unit, ten-building, low-rise apartment complex, felt his revenues were too low to enable him to make a fair return.

He decided to turn the complex into condominiums or raze the buildings and put up a high-rise apartment house.

A tenants association was formed to fight eviction. The group, which said its members were willing to negotiate rent increases with Mr. Walde, charged that eviction would displace residents who have low and moderate incomes, including older people on fixed incomes. It said those displaced would "have great difficulty in finding places to live, since there is only a one percent vacancy rate in the area."

Mr. Walde says that he "ran a check on these tenants, and most of them were young people making \$15,000 and up per tenant."

He offered to sell the tenants the buildings. The offer was refused, as was an offer to renovate the apart-

ants receiving an 18-month option to buy two thirds of the property on a cooperative basis.

"Central to this arrangement," Mr. Walde says, "was their agreement to meet operating costs. All over the country, under rent control, landlords are being beaten to death by the terrible costs of maintenance and utilities."

"When we finally got past the emotionalism, I could reason with them that, for one thing, the antiquated heating systems in this 40-year-old complex were giving only 50 cents worth of heat for a dollar's fuel. Once you draw an admission from affluent tenants as to just what costs are today, they become more reasonable."

#### Landmark decision

A significant, possibly landmark decision is due in New Jersey, where 126 municipalities are now under rent control, making the Garden State far and away the national leader in this respect. The controversy centers on Fort Lee, which overlooks Manhattan across the Hudson River.

This town experienced a tremendous population growth from 1960 to 1972. About 5,900 apartment units were built, mostly in high-rise structures. By the early 1970's, apartment dwellers outnumbered homeowners and emerged as the dominant political force.

Alexander Summer, Jr., a leading northern New Jersey real estate man, told NATION'S BUSINESS that "a majority of these high-rise people were second and third generation rent control tenants from New York City. They knew the ropes and were prepared to fight every inch of the way for their advantage."

They won quite an advantage in May, 1974, when the Fort Lee Borough Council, the majority of whose members were themselves tenants, instituted a flat 2.5 percent ceiling on annual rent increases. The action nullified a 1972 ordinance that allowed increases to meet annual rises in the consumer price index.

#### Opinion on rent ceiling

Under Fort Lee's rent law, landlords could exceed the increase ceiling only if they could prove operating losses, a stipulation that is fairly common in rent-controlled areas. But last March, Superior Court Judge Harvey Smith called this hardship formula an illusion, noting that the Borough Council refused to hear all landlord appeals.

Judge Smith stated, in an opinion

that will be considered later this year by the New Jersey Supreme Court, that Fort Lee's 2.5 percent increase ceiling is unconstitutional. He maintains that the consumer price index is a more accurate guide to a landlord's overhead than a flat limit which doesn't take inflation into account. He notes that the index rose 6.8 percent last year.

Mr. Summer states that, "if the New Jersey Supreme Court concurs with

In the South  
Bronx, 50,000  
rental units  
are abandoned.

"In many cases, rent control appears to be the most efficient technique presently known to destroy a city—except for bombing."

ments and charge \$255 a month per unit. "That amount," Mr. Walde points out, "is \$45 less than the rent on similar units across the street that are not controlled. But the tenants were willing to pay only \$15 a month more under the city's rent control increase guidelines. That amount was totally unrealistic."

#### "Terrible" operating costs

Finally, Mr. Walde and the tenants made a deal whereby, with renovations, rents would be increased to \$200 a month plus utilities, with the ten-

Judge Smith, the entire rental structure will be placed in a much more realistic light, not only in New Jersey, but throughout the nation. People all over the country are watching to see what happens here."

Clearly, landlords and real estate people are hoping for what they consider more equitable treatment through the courts, with eventual, sympathetic guidelines handed down from the U. S. Supreme Court.

#### Heavier load on homeowners

Regardless of future court rulings, there is no question as to who currently picks up much of the slack in terms of providing local revenues.

The National Association of Realtors, in a survey report, cites the situation in Washington as fairly typical. In 1976, the report observes, "the assessed value of multifamily rental dwellings increased by about six percent. However, the assessed value of single-family properties showed a 40 percent increase in that one year."

"Obviously, single-family homeowners are being forced to absorb increased costs of city services through higher assessments while revenues from rental units are being artificially constrained because of lower values attributable to rent control."

Recently, many publications have run urban comeback stories involving isolated cases of inner-city renovation. No matter how uplifting such articles



may be, with their accounts of moneyed individuals buying neglected residential buildings and turning around depressed neighborhoods, they blur the desperate overall situation. "How to Turn a Slum Block Into a Smashing Smart-Set Ghetto" doesn't address itself to the massive unchecked cancer—rent control—that frequently has been the prime cause of the neighborhoods' deterioration in the first place.

### Examples of urban decay

The most graphic examples of rent control's relation to national urban decay are to be found in New York City, where controls have been in effect since 1943. The South Bronx, once home to half a million stable citizens and considered a showcase community by those who championed a melting-pot America, now looks like the bad end of an LSD hallucination.

As one approaches from Manhattan, the city-rebuilt Yankee Stadium perches like a gleaming white oyster on the shores of a dead sea.

The tragic scenario is quite simple. Longtime rent-controlled tenants, due to the tremendous postwar rise in costs, received little in the way of maintenance and other services from landlords who were receiving essentially static rents.

Even with the suburban exodus of many, mostly younger families, the South Bronx could have replenished itself with other lower-middle-class families seeking the neighborhood atmosphere and conveniences that were offered.

But as the poorly maintained housing declined, the late 1950's and 1960's saw an ever-growing, albeit reluctant, outward rush by older residents. These elements were replaced by vast numbers of perpetual-welfare and sporadically employed people migrating from the South and Puerto Rico and from Latin America.

In the 1970's, more than 50,000 South Bronx residential units, mostly rent-controlled, have been burned or abandoned. Most of the torchings have been by tenants, often as a device to obtain priority on the public housing lists, and by landlords for the insurance.

### 1,000 lost acres

More than 1,000 acres of the South Bronx are now useless, rubble-strewn playgrounds for rats and junkies, not worth the valuable time of muggers and rapists. This was the site of a much-publicized tour last year by

President Carter. Unsettled by what he saw, the President asked Housing and Urban Development Secretary Patricia Roberts Harris for a report on what could be done about the situation.

To a city with a deeply sinking tax base, the loss of tax revenues from 1,000 acres is ominous. New York—and any number of other cities and municipalities—gets about 40 percent of its monies from real estate taxes. D. K. Patton, president of the Real Estate Board of New York, told NATION'S BUSINESS that "during the 1970's, New York City has lost about 40 percent of its renter-occupied residential tax base. In the two years just past, our renter-occupied residential tax base fell off \$500 million."

Mr. Patton says that "current rents, under rent control, are contemporary with 1965 prices. This, of course, exacerbates tensions between tenants and landlords. That kind of warfare is hardly constructive, with rent strikes on one side, heat cutoffs on the other, all manner of retaliations and counter-retaliations.

"In a time of skyrocketing inflation, cost increases are a hard fact of life for all property owners. If these costs can't be met, disinvestment and what we've seen in the South Bronx and elsewhere are inevitable. With increases in every

up with its noble experiment with rent control, which was adopted there in 1970. Boston's political leaders, Mr. Brookes says, now "understand that rent control, like any other form of price control, increasingly kills off supply—and, in this case, the tax base itself, since that base is dependent on taxpaying private property."

### A whole new bureaucracy

Massachusetts real estate man George E. Slye told NATION'S BUSINESS that "rent control is ruinous to the housing industry, and a particularly ruinous aspect is that, wherever it takes effect, a whole new bureaucracy comes into place with it. You have the buzz term 'community input'—every group in town wants a hand in how housing will be run and regulated. You have instant experts, ignorant of the problems and dynamics of the housing market, bringing everything down around them."

Chicago may have had more luck with its recent community input experience. In May, 1976, the late Mayor Richard Daley appointed a study committee to determine whether rent control was needed or even desirable. In March, 1977, following extensive public hearings, the committee recommended that controls not be instituted.

The Chicago report cited discourage-

"In city after city with rent control, the symptoms are always the same: persistent shortages, deteriorating apartments, and high abandonment rates."

personal budget area from gasoline to clothing to food, there is no longer any way to shield housing alone from economic reality."

And although New York's Democratic Sen. Daniel Patrick Moynihan lukewarmly supported rent control in defeating incumbent Sen. James L. Buckley in 1976, he observed last year that "we can't go on for another 30 years with something that is basically a wartime measure."

Warren T. Brookes, economic affairs writer for "The Boston Herald American," reports that Boston appears fed

up with its noble experiment with rent control, which was adopted there in 1970. Boston's political leaders, Mr. Brookes says, now "understand that rent control, like any other form of price control, increasingly kills off supply—and, in this case, the tax base itself, since that base is dependent on taxpaying private property."

### Bad image in the media

Norman D. Flynn, of Madison, Wis., chairman of the National Association of Realtors' Ad Hoc Committee on Rent Control, maintains that, when real estate professionals, builders, and individual homeowners organize to fight rent control, "they inevitably end up looking like Goliath taking on defenseless David." He feels that rent



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control proponents inevitably receive more sympathetic media coverage, and that "no matter what we say, we're seen as the bad guys, with every rent dollar perceived as pure profit."

Last year, Madison realtors won an important victory in that university center (35 percent of Madison's voters are college people), long considered one of the most liberal communities in the Minnesota-Wisconsin region.

By forging a coalition ranging from businessmen to labor leaders, the realtors defeated a proposed ordinance that would have subjected all rental units in the city, including sublet units, to rent control and to full public disclosure of all financial and other information involving their operation.

Mr. Flynn says that every locality's confrontation with rent control situations must be adjusted to local conditions and attitudes. He suggests that realtors and other community people not yet facing a rent control offensive "get their signals together on a stand-by basis before the problem arises."

## Controls in California?

Localities in all three West Coast states have been thinking about imposing rent control.

William W. Brown, an economics professor at California State University, says that "the flirtation with rent control in various California cities and municipalities seems to indicate a cursed inclination to repeat the errors of others and strike another blow for collective silliness. . . . In city after city with rent control, the symptoms are always the same: persistent shortages, deteriorating apartments, and high abandonment rates."

Rent control's degeneracies are not confined to the U.S. and Western Europe (where the situation in Britain is particularly horrifying). Prof. Steven Cheung, of the University of Washington, notes that because of Hong Kong's rent control laws, "which were designed to keep roofs over the heads of resident tenants, some of these tenants found themselves sleeping out under the stars."

Prof. Friedrich A. von Hayek, Nobel Prize-winning economist who is one of this century's more respected champions of the free market, says that "a catalog of inequities must be laid at the door of rent control."

He adds: "I doubt very much whether theoretical research carried out by someone of a different politico-economic persuasion than myself could lead to a different conclusion."

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## A LOOK AHEAD FROM WASHINGTON

### FmHA Proposes Loans for Foreign Firms

The Farmers Home Administration has proposed that business and industrial loans be made available to foreign firms operating in the U. S. provided that 85 percent of the employees are rural Americans.

Current policy requires that a qualifying firm have more than 51 percent of its ownership in American hands. So far, there are 76 foreign loan applicants requesting \$124 million.

If approved, the new policy would make or guarantee loans to either U. S. citizens or aliens. The restriction: "No loan(s) will be made or guaranteed to an applicant when 51 percent or more of its ownership ... is foreign owned, unless 85 percent of such applicant's staff and employees will, on a continuing basis, consist of rural residents who are citizens of the United States or reside in the United States after being legally admitted for permanent residence."

Robert E. Butler, FmHA's assistant administrator for business and industry, says that rural is roughly defined as towns with no more than 50,000 residents and not adjacent to large cities.

The agency's current loan budget is \$1 billion, which is nearly triple what it was for the previous three years. The budget request for fiscal 1979 is \$1.1 billion, which, Mr. Butler says, includes a ten percent inflation factor.

### Senate Bill Would Insulate Regulatory Commissions

Protecting 12 independent federal commissions from executive department encroachment is the aim of a bill introduced by Sen. John Glenn (D-Ohio), and cosponsored by Sens. Abraham A. Ribicoff (D-Conn.) and Charles H. Percy (R-Ill.).

The senators say S. 3240 would insulate the commissions, each of which has its own congressionally defined regulatory mission, from partisan politics.

"Regulatory decisions which involve the balancing of delicate economic and health and safety considerations should not be subject to control and supervision by the White House, which is itself subject to all kinds of political pressure," Sen. Percy says.

The senators say decisions of bodies like the Federal Reserve Board and the Civil Aeronautics Board would be improved by changes such as:

- Eliminating White House political clearance of top commission officials, and restricting the President's authority to fire commissioners.

- Granting all commissions authority to conduct their own litigation—some now have it—except in cases before the Supreme Court, without having to depend on the Justice Department; and

- Sending commission budget proposals directly to Congress, sidestepping the customary review and approval by the Office of Management and Budget.

Other commissions covered by the bill are: the Commodity Futures Trading Commission; the Consumer Product Safety Commission; the Federal Communications Commission; the Federal Energy Regulatory Commission; and the Federal Maritime Commission.

Also, the Federal Trade Commission; the Interstate Commerce Commission; National Labor Relations Board; the Nuclear Regulatory Commission; and the Securities and Exchange Commission.

### Single Agency to Manage Federal Emergency Efforts

Washington may be better organized to cope with disasters in the future. As part of President Carter's reorganization plan, a Federal Emergency Management Agency will be formed this fall from five major preparedness agencies.

When FEMA starts operations next year it will be responsible for civil defense, with a new emphasis on protecting citizens from nuclear attack, and the federal response to natural disasters.

The new agency will combine the Defense Civil Preparedness Agency, which administers civil defense programs; the Federal Disaster Assistance Administration, which coordinates aid for natural disaster relief; the Federal Preparedness Agency, which coordinates civil planning for national emergencies; the Federal Insurance Administration, which manages flood insurance and hazard reduction programs; and the National Fire Prevention and Control Administration.

President Carter says the merger will create a single point of contact for state and local governments, which have been urging consolidation.

The consolidation will save an estimated \$10 million to \$15 million and decrease the federal workforce by about 300 employees.



## SBA Retains Ban on Loans to Parolees and Probationers

The Small Business Administration has decided to continue its policy of not making loans to persons on parole or probation. Last December the SBA proposed to change that policy but dropped the idea.

Present policy is that financial assistance will not be granted if "a proprietor, partner, officer, or director of the applicant is currently incarcerated, on parole, or on probation following conviction of a serious offense, or when probation or parole is lifted because it is an impediment to obtaining a loan."

The SBA said its chief reasons for this policy are that "it should not be involved in rehabilitation processes, that a finding of good character is essential in any credit transaction, and that the risk of absentee management in the event of reincarceration is too great for the agency's responsibility to protect the taxpayers' funds."

## Greater Assistance Urged for Women Business Owners

Look for more assistance for women business owners as a result of a nine-month study by an interagency task force.

The group, appointed by the President, says it found relatively few federal programs presently aiding women business owners. Also, women face obstacles in getting business education, management training, and access to government markets, it reports.

To correct this situation, the task force recommends that:

- The Office of Management and Budget increase federal funds to the Small Business Administration in order to improve loan programs to women business owners.
- The Federal Reserve Board tighten its regulations to enforce provisions in the Equal Credit Opportunity Act prohibiting sex discrimination regarding loans.
- All agencies develop management training programs for women.
- Procurement programs ensure that women-owned businesses are on government bidders' lists for contracting and subcontracting.

## OSHA Consultation Service to Go Nationwide Soon

During the next three months, the Occupational Safety and Health Administration plans to expand its consultation service from 23 states to the entire nation.

OSHA says that small businesses, especially those unable to afford their own safety consultants, will get

priority. The consultation will be provided through OSHA-approved state programs, which can include either state or private consultants.

OSHA will provide the service if a state doesn't have a program, at the request of state officials. The state is required to pay ten percent of the cost and monitor the program.

## Discount Fares Should Weather Fuel Deregulation

Discounted flight fares to domestic and foreign locations probably won't be seriously impacted if the Federal Energy Regulatory Commission decides that the market can handle decontrolled prices of jet fuel and aviation gasoline, and Congress concurs.

DOE has proposed deregulation of these fuels to the FERC, which approves these matters, because it has concluded that competition and prices are now governing the market, not price controls. Prices could actually increase under current regulation, it says.

The Air Transport Association says deregulated fuel price increases would be no more than already anticipated—about one cent per gallon.

Petroleum products already decontrolled include residual fuel oils, middle distillates, naphtha jet fuel, and a variety of specialty products. Decontrol of motor gasoline was proposed by DOE and approved by FERC, but has not yet been sent to Congress by the Secretary of Energy.

Left untouched and still under price and allocation controls are natural gas liquids, propane, butane, natural gasoline, and synthetic natural gas feedstocks.

## Lottery Equipment Makers Seek Better Odds on Exports

It's the law—American manufacturers of lottery tickets and related materials can engage in interstate commerce, but not foreign commerce. That potential \$500 million market may be opened.

Sen. Donald Riegle (D-Mich.) and Rep. Harold Sawyer (R-Mich.) have sponsored bills to remedy the situation, which dates back to 1975. That year the law prohibiting transportation of new lottery equipment in interstate and foreign commerce was amended to allow interstate movement because state lotteries were beginning to proliferate. The ban on foreign trade remained.

Since then, lotteries have grown in popularity overseas. Now, U.S. firms must set up shop in a foreign country to compete.

Experts say the opportunity exists for U.S. firms to supply computer terminals and technical services for numbers games in Western Europe, Latin America, and Australia. □



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Crocker's doing a lot of things to help out smaller businesses like mine. They've got something called Home Equity Loans for Business that lets you borrow for your business on the equity of your home. Which I'm pretty pleased about

since I bought real estate in California before the boom.

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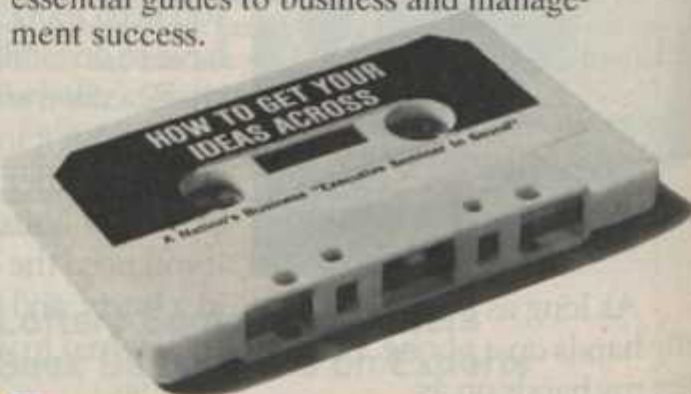
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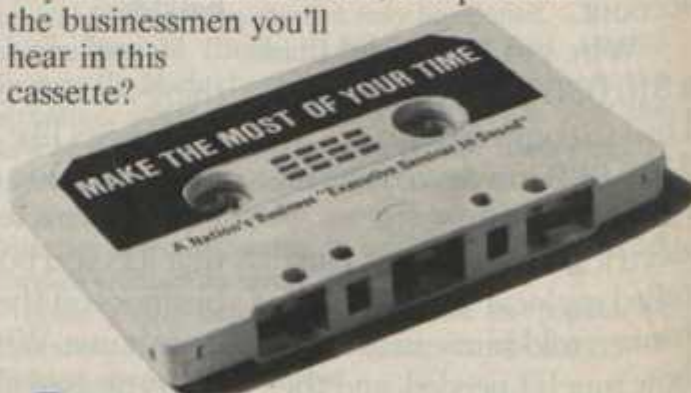
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## Insider's Faith Saves the Day For Dress Firm

Frank G. Santillo looks nothing like a fairy godmother. But without him and his monetary magic, a children's clothing company called Cinderella Clothing Industries, Inc., would have turned into a pumpkin.

Once upon a time, not so long ago, there were three brothers named Rosenau who made and sold little girls' dresses, which had a lot of ruffles and ribbons and ruching. The brothers became kings of the children's clothing industry with their fancy dress line, appropriately named Cinderella. And until the late 1960's, little girls loved dresses, and everybody was happy, including Mr. Santillo, who had started at the company as a very junior, very green assistant controller.

But outside the kingdom, a whimsical force called fashion suddenly decreed that little girls would consign their dresses to the back of the closet. The new look was casual, and play clothes became school clothes as well.

But Cinderella kept on making dresses, not believing that little girls were wearing slacks and jeans. Soon the happy profits chart developed a frown, and the figures in Mr. Santillo's books kept shrinking.

Enter Prince Charming. "Our new company president, who was brought in by the Rosenau family to turn us around, had the distinction of taking over the day before our Chapter XI," says Mr. Santillo. "The banks had called a \$2.9 million loan and we had to seek protection under the federal bankruptcy law.

"This was in February of 1974—I was financial vice president then—and it took us from then until April of 1975 to draft a financial plan that the banks and the courts would accept so we could come out of Chapter XI."

One of the problems was finding an outside investor. The banks believed that the Rosenau family had neglected the business and should get out of it entirely. Enter Prince Charming II, who invested \$150,000 and bought out the family.

"Our second president was very knowledgeable about sportswear," says Mr. Santillo. "On paper the marriage looked good, because sportswear was it. But he could never understand dresses. And he had never lived in a union environment."

That led to the next crisis. The president decided that importing was the only way the company could survive. But its union contract specifically prohibited importing without union permission. The president went ahead with his plans, and the union threatened to close down the company's Philadelphia plant.

So much for importing.

Once more, Mr. Santillo. "In the fall of 1975 I told the president we needed cash for our spring season. We had \$3 million in orders and we needed upfront money to buy the piece goods. We had no credit because of the Chapter XI.

**"The afternoon of December 23 we had just finished a little luncheon for our people, who were going to be off until January because, frankly, there was no work for them to do. He told me he wanted to close the business. I said: 'You can't, we're a public company.' He said: 'Well, I'm leaving, personal reasons. Why don't you find somebody to buy it?'"**

But who? Mr. Santillo knew a few people who had some interest, and some money, but this was Christmas, and they were in Florida. "Then I thought to myself," he said, "this doesn't make any sense. The biggest thing wrong is that too many outsiders have been involved with the company."

Mr. Santillo went to the insiders, the people who worked for the company, who believed in it, and who, like him, felt that the company should never have moved away from its main product line—children's clothes. Christmas week was a busy one.

Mr. Santillo, helped by 15 employees, amassed \$150,000 which was matched by a manufacturing factor. Mr. Santillo got the outstanding company stock turned over to him, and then persuaded the union to approve a new contract in a week.



The Cinderella look for little girls.

"Quite miraculously it all came together," says Mr. Santillo. "We told our people—we had about 500 employees—what had happened over Christmas, and they were ecstatic. It hadn't been easy for them, always wondering what was going to happen next."

What happened next was that the company changed course. People worked around the clock to finish the spring line by mid-March, and by that time, Mr. Santillo and the designers had transformed the fall line.

"When the group took over the company, we were doing about \$8 million a year in sales," says Mr. Santillo. "At the end of fiscal 1978, I expect about \$12 million in sales. Not only has there been a steady growth, but also we are planning more carefully. We look to adult fashions to see what children will be wearing, especially in the 7 to 14 sizes. We rigorously prune our line of items that don't sell."

There is little threat of the bankruptcy clock striking midnight again. Mr. Santillo, who is called Frank by everyone, keeps overhead to a minimum and insists on strict inventory control.

"Dresses are not dead," he says. "They are coming back in a different form, and we are going to be ready for that swing. We are also improving our casual line as well as beginning a little boys' line. Mainly, we are sticking to what we know, which is children's clothes. And we'll all live happily ever after." •



# Making Moving a Pleasant Experience

Arthur E. Morrisette has been on the move since the day he and his two younger sisters were orphaned 47 years ago in the midst of the Depression in Washington, D. C.

First, Mr. Morrisette left school and moved into a job as a trucker with a local department store—" \$14 a week, and I worked 72 hours." Then, he moved into the affections of an "error girl" whose job was to check all the store's bills of sale. "I caught her eye. . . . We celebrated 44 years of marriage last month."

Later, Mr. Morrisette moved on to a government job. "I started as a sub-professional at \$1,260 a year and within six years had amassed a staff of 42 and moved up to grade 12 at \$4,600 a year."

Finally, Mr. Morrisette moved into moving—other people and their belongings. Today he is president of Interstate Van Lines, Inc., a multimillion-dollar company based in Springfield, Va., just outside Washington.

"I wasn't all that happy with the government," says Mr. Morrisette, "though I was making more money than I had ever dreamed of. Everything I suggested had to be reviewed by too many people. I met this elderly gentleman through the Baptist church, and he told me about his experiences—he had started as an ice-man and had moved into moving."



Arthur Morrisette looks like this in TV commercials for his company.



Sitting at classroom desks in front of a mock-up of a house, Interstate Van Lines movers and packers ponder lessons learned in the previous day's activities.

"I suggested several ventures into the moving business to my wife, but she liked that government job security. Anyway, while she was in the hospital giving birth to our third son, I went out and bought a truck for \$450."

Mr. Morrisette had a lot to learn about the moving business.

On his first job, he piled all the customer's boxes on the floor of the truck and then found he had no room for the furniture that was still in the house. "That was my first lesson," says Mr. Morrisette. "Heavy stuff out first."

The second lesson followed quickly. Mr. Morrisette and a helper picked up a living room couch, and the arms came off in their hands. "Always pick it up from the bottom."

Then there was the lady whose coffee table was her pride and joy. "I wanted to be extra careful with it," says Mr. Morrisette. "So I left it until last, picked it up, braced it against my chest and stomach, and put it on the truck. When we unloaded it, there was a big scratch in the middle. Lesson No. 3—don't wear belts with big buckles. That's the way it went; I learned everything from the mistakes I made."

Mr. Morrisette has made certain that his people don't learn the same way. Each morning, 75 to 80 movers and packers—many of them women—sit down at classroom desks in front of a mock-up of a house in an Interstate Van Lines warehouse at Springfield. They go over the previous day's operations and problems and hone their moving skills and motivation.

"We have developed a training program that goes into every minute detail of how to conduct yourself with the public, both as a person and as a worker," says Mr. Morrisette. "That hour every morning costs me about \$2,500, but the camaraderie and com-

munication that we establish among ourselves are invaluable."

Mr. Morrisette says the two most common complaints about movers—that they are not careful enough to avoid damage and that they charge too much—cannot fairly be leveled against his firm.

"I lose patience with people who pick at little things," he says, "but these people are my customers, and any claim at all is one too many for me—my type of personality leans toward perfectionism. We offer top-hat service—I've done my own radio and TV commercials for years, dressed in a top hat and tuxedo for TV—and we do our best to motivate our people toward the perfect move, to know the difference between an \$18 piece of Waterford and an 18-cent jelly glass."

The cost is relative, Mr. Morrisette believes. "People are willing to pay their lawyers \$100 an hour, they are willing to pay \$1,000 for their child's dental work, but they are not willing to pay \$1,500 to move their entire household. We have to provide them with three people at least, all of whom have to go to the same supermarket and buy the same gallon of milk at the same price as the guy who gets \$100 an hour."

Mr. Morrisette is now trying to sell his training program to the entire moving industry. "We movers operate through an agent system," he says. "I have insisted that all the agents who work with me take my training program, which we have made into a slide presentation and printed materials."

"My way of doing it may not be the best, but it's the proven way."

From a dirt floor shack which was his first office to a 30-acre, \$15-million complex of buildings, Arthur Morrisette has moved a long way, all within a few miles of his birthplace. □



# It's Time to Get on With the Nation's Business

CONGRESS FACES A MASSIVE BACKLOG of unfinished business.

The nation still lacks a cohesive energy policy. The twin specters of double-digit inflation and high unemployment again threaten our economic stability. Long-endured government fiscal policies must be re-evaluated in the light of changing public attitudes reflected in the tax-revolt movement growing throughout the country. Tax legislation designed to stimulate job-creating, economic expansion requires attention. Major decisions on the nation's first half-trillion-dollar budget are still to be made. Constructive solutions must be found for the serious problems that have developed in our welfare, health-care, transportation, civil service, and criminal-justice systems.

In view of the staggering array of major issues confronting the nation, it would make little sense for Congress to invest still more time on a matter that has already occupied too much of a tight legislative year, one in which members are aiming for an early adjournment to allow time for campaigning.

That issue is the revision of the National Labor Relations Act.

The AFL-CIO is desperately seeking passage of legislation to reverse its declining fortunes. Basically, the bill would make it easier for union organizers to recruit new members and more difficult for employers to resist union organizing drives.

Business strongly opposes the legislation, not only for the specific punitive actions provided against employers, but because it would radically change the underlying philosophy that has governed federal labor law for more

than 40 years. The AFL-CIO bill would change the National Labor Relations Act from a statute designed to settle grievances to one structured to punish employers.

Those and other aspects of the controversial bill were discussed at great length during weeks of Senate debate on the measure, which earlier passed the House under tremendous pressure from the AFL-CIO. Senate supporters of the bill tried an unprecedented six times to rally sufficient votes to close off the debate. They failed each time. The measure was finally returned to committee for revisions that supporters hoped would make it more palatable. Organized labor sees the bill as important, perhaps vital, to its survival and is demanding its passage.

On the other hand, senators fighting the measure point to a series of public-opinion polls showing that not only do a majority of people oppose the measure, but also those opposed include a majority of union members. That opposition is based on a widely held view that the power of unions should not be further strengthened.

Labor has had a full and fair hearing on the issue, both in Congress and in the court of public opinion. It has lost in both those forums.

Dr. Richard L. Leshner, president of the Chamber of Commerce of the United States, speaks for the business community when he says: "This discredited legislation should be sent into oblivion!"

Congress should accept that advice and spend the remaining months of this legislative year on the crucial problems sorely in need of attention. □

**Nation's Business is the business advocate magazine leading the effort to strengthen the private enterprise system to advance human progress.**



# Tell The Truth



The front panel of the Hagoth Voice stress analyzer has sixteen lights. When the green lights are lit you **know** the speaker is telling the truth. The red lights indicate stress and the possibility of deception.

In this example, the middle contestant is the real Rick Bennett. The few red lights shown are compatible with the simple stress caused by being on television.

Contestant Number I

My	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
Name	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
is	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
Rick	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
Bennett	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Contestant Number II

My	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
Name	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
is	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
Rick	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
Bennett	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

Contestant Number III

My	● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ●
Name	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
is	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
Rick	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○
Bennett	○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○ ○

"My name is Rick Bennett. I developed the Hagoth voice stress analyzer. A voice stress analyzer is a sophisticated piece of electronics that detects the absence or presence of stress in a persons voice.

"When there is no stress in a persons voice, you absolutely **know** that he is telling the truth. On the other hand, when there is great deal of stress in a persons voice, you know that the speaker is experiencing psychological and physiological turmoil — perhaps caused by an attempt to deceive you. With additional questioning you can obtain valuable information concerning the source of that stress.

"The Hagoth is a simple device to use. It is a little larger than an electronic calculator. It is portable and battery operated. Its front panel consists of sixteen lights — eight green and eight red. Only eight of them are lit at a time. The green lights indicate the absence of stress. The red lights indicate the presence of stress.

"In actual use the Hagoth is connected to a telephone, television, tape recorder, or radio. Or, it may be used with either the built-in or an external microphone.

"If you had a Hagoth right now and if you could hear me speaking these words the lights on the front panel of the Hagoth would be predominately green. You would **know** that everything that I have just told you is the truth!"

*Rick Bennett*

Rick Bennett was first able to make that statement a little over two years ago. Since then Hagoth has grown into a multi-million dollar corporation for one simple reason. People all over the world — primarily businessmen — have discovered that the technology of voice stress analysis is simple to master and to put to practical use. Businessmen are paying lower prices, avoiding bad investments (yet, discovering the really honest opportunities), qualifying sales leads — even taking their Hagoths (covertly) into court with devastating results! In short, businessmen are discovering that truth often is stranger than fiction. But, They are making a lot fewer mistakes, better decisions, more money — and have more time off as a result. They are finding that at \$1500 the Hagoth is frequently paying for itself in its first week (A number of customers even claim to have gotten their moneys worth in the first hour of use!)

But, how about you? Do you really enjoy all those extra long hours, high prices, wasted time, lost money, and being had by almost every slick-talking con-artist that comes down the pike?

If not, drop us a line at Hagoth Corporation, Department TOP, 12350 - 206th Place S. E., Issaquah, Washington 98027.

Or, better yet, give us a call at (206) 235-1020. We'll show you how you can't lose! And that's a better guarantee than you'll get from IBM or any other business equipment manufacturer.



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